InsuResilience GlobalPartnership

Impact Working Group
Key Terms and Concepts for the Partnership's M&E

Final Version

This document provides a comprehensive and consistent background and overview of definitions and key concepts that are relevant for the Monitoring, Evaluation and Learning (MEL) Framework of the InsuResilience Global Partnership. It was jointly developed by members of the Partnership's Impact Working Group.

The list of terms and concepts draws on the foundational documents of the Partnership, including the Pro-Poor Principles and the Vision 2025 as well as other studies that were relevant in shaping activities of the Partnership and its mandate. The definitions were developed and finalized in several rounds of peer review and discussion with Working Group members in 2020. This M&E-related document is complementary to the Glossary on the InsuResilience website, which contains a longer, more general list of definitions and concepts around Climate and Disaster Risk Finance and Insurance (CDRFI) used within the InsuResilience Global Partnership.

Term/ Concept	Included in foundational documents	Definition	Source
Average Annual Loss	Vision 2025 (result area i)	Average Annual Loss (AAL) is the long-term expected loss per year, averaged over many years to model the losses for e.g. parametric insurance. AAL is an indication of the amount of savings a nation needs to set aside each year to cover the cost of long-term losses from that hazard. *Remark: While there may actually be little or no losses, over a short period of time, the AAL accounts much larger losses that may occur more infrequently.*	UNDRR, according to https://data.world/unisdr/a3b57464-fa02-49c3-a8a0-3f26e12a7ebf
Beneficiary	RMS/Vivid Economics study	The person(s) or party(is) who benefit(s) from protection under a (re)insurance coverage scheme. Beneficiaries may be direct policyholders themselves (e.g., individual smallholder farmers and their household members) or benefit indirectly, e.g. from food distribution financed by payouts from an insurance policy held by a national or sub-national entity (e.g., a household within a community which is insured against coastal flooding).	InsuResilience Glossary

		The InsuResilience Global Partnership takes a household approach for calculating beneficiaries of micro and meso solutions (policies sold * average household size) and a response cost approach for macro solutions (total coverage volume / average response cost per capita and month). *--> See also “poor and vulnerable”, “vulnerable countries” and "response cost"*	
Climate and disaster risk finance and insurance	Vision 2025	Climate and disaster risk finance refers to pre-arranged financial arrangements and instruments aimed at strengthening financial resilience or providing financial protection for climate and disaster risks, including non-climate-related disaster risks such as earthquakes. The central goal of climate and disaster risk finance is to assist more rapidly and reliably to those in need when a disaster strikes by using an array of quickly disbursing financial instruments. In addition, financial instruments like insurance can also strengthen long-term reconstruction after disasters by covering physical damages to both public and private assets, incl. climate-related crop losses. Beneficiaries of these schemes may include sovereign and sub-sovereign governments' disaster-related contingent liability schemes, and schemes for individuals, households and MSMEs. Common examples include budget ex-ante instruments such as reserves, contingency reserves, contingent credit, shock-resistant loans, and risk transfer in all forms (Sovereign Risk Pools, Sovereign Cat Bonds, insurance for agriculture, MSME income and property losses), but can also include ex-post instruments such as budget reallocations or post-disaster borrowing. In the context of the InsuResilience Global Partnership the focus is on ex-ante instruments only to promote financial preparedness of countries and people.	InsuResilience Glossary See further the work of the World Bank’s Disaster Risk Financing and Insurance Program: http://www.worldbank.org/en/programs/disaster-risk-financing-and-insurance-program RMS/Vivid Economics Study
Complementarity	Pro-Poor Principles	The presence of complementary, not duplicative CDRFI solutions that collectively manage risks comprehensively, build on existing institutional frameworks, and address pre-existing vulnerabilities, with the aim to lower overall costs and maximize resilience. This specifically includes fostering combinations of adaptation and risk finance measures, which reduce the overall cost of both, while avoiding maladaptation. It also aims to make use and build on existing institutions embedded within national policy frameworks or socio-economic contexts on the sub-national and communal levels. Doing so, also necessitates the promotion of stakeholder collaboration and coordination.	Pro-Poor Principles
Comprehensive DRF Strategies	IGP Concept note / Vision 2025	Presence of a ‘comprehensive’ disaster risk finance strategy determined by reference to the following key elements: 1. Risk audit – Strategies quantify risk using pre-existing and new data and define a resilience target to enable risk-informed action.	Based on RMS/Vivid Economics study (Indicators and targets for the

		2. Disaster risk management (DRM) actions – Strategies are embedded in a DRM plan consisting of risk reduction, risk retention and risk transfer actions. 3. Instrument design – Strategies use situational analysis to define underlying need and inform instrument requirements. 4. Disaster risk finance instruments – Strategies identify CDRFI instruments. 5. Risk management strategy – Strategies combine CDRFI instruments to create an efficient DRM strategy using a risk layering approach. This should furthermore take into account affordability considerations, enabling countries to better understand the feasibility of deciding for certain instruments for scenarios with and without international support. 6. Enabling environment – measures to enhance enabling environment, e.g. regulatory and legislative reforms, financial literacy measures, data enhancement (e.g. of asset registers). Strategies must include each element to be classified as ‘comprehensive’.	InsuResilience Global Partnership)
Cost effectiveness	IGP Concept note / Vision 2025	Cost-effectiveness of risk-finance and insurance solutions means that the relative costs of support provision are reduced (basis risk and overheads) and that support is offered through mechanisms that promote cost efficiency against the highest achievable resilience outcome. This can be measured against the following indicators: (iv.a) Reduced probability of non-payment of claims (iv.b) Reduced overheads in insurance provision (iv.c) Effective private insurance markets for CDRFI (iv.d) Effective targeting of public subsidy to increase coverage *See also: Risk layering*	RMS/Vivid Economics study (Indicators and targets for the InsuResilience Global Partnership)
Disaster	Vision 2025/ RMS/Vivid Economics Study / IGP concept note	A serious disruption of the functioning of a community or a society at any scale due to hazardous events interacting with conditions of exposure, vulnerability and capacity, leading to one or more of the following: human, material, economic and environmental losses and impacts.	UNDRR Terminology, https://www.preventionweb.net/terminology/view/475
Disaster response	Vision 2025 / RMS/Vivid Economics	Vision 2025 aims to enhance pre-arranged risk financing and insurance mechanisms for rapid disaster response in vulnerable countries.	https://www.undrr.org/terminology/response

	Study / IGP concept note	Disaster response refers to actions taken directly before, during or immediately after a disaster in order to save lives, reduce health impacts, ensure public safety and meet the basic subsistence needs of the people affected. Disaster response is predominantly focused on immediate and short-term needs and is sometimes called disaster relief. Effective, efficient and timely response relies on disaster risk-informed preparedness measures, including the development of the response capacities of individuals, communities, organizations, countries and the international community. The institutional elements of response often include the provision of emergency services and public assistance by public and private sectors and community sectors, as well as community and volunteer participation. “Emergency services” are a critical set of specialized agencies that have specific responsibilities in serving and protecting people and property in emergency and disaster situations. They include civil protection authorities and police and fire services, among many others. The division between the response stage and the subsequent recovery stage is not clear-cut. Some response actions, such as the supply of temporary housing and water supplies, may extend well into the recovery stage.	
Disaster Risk Management	Vision 2025 / RMS/Vivid Economics study / IGP concept note	Disaster risk management is the application of disaster risk reduction policies and strategies to prevent new disaster risk, reduce existing disaster risk and manage residual risk, contributing to the strengthening of resilience and reduction of disaster losses. Disaster risk finance is one integral component of a comprehensive disaster risk management cycle.	https://www.undrr.org/terminology/disaster-risk-management
Equity	Pro-Poor Principles	According to the Pro-Poor Principles, the Partnership aims to deliver climate and disaster risk finance and insurance solutions that provide inclusive and targeted support to promote equitable growth. This specifically entails ensuring that no one is left behind by building mechanisms, including adaptive social protection schemes and direct and indirect premium support for (private) risk transfer solutions. Mechanisms of financial protection should be accessible by everyone in need - even if unaffordable - to make sure that poor and vulnerable people and countries will not carry the burden of increased climate risk, given their already strained resources.	Pro-Poor Principles
Financial inclusion		Financial inclusion means that individuals and businesses have equal access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way and offered in a well-regulated environment. There is a growing evidence that increased levels of financial inclusion – through the extension of savings, credit, insurance, and payment services – contributes significantly to sustainable economic growth.	Based on World Bank; UNCDF

Financial Protection	IGP Concept note / Pro-Poor Principles / Vision 2025	Financial protection enables countries, policy makers and non-governmental organizations to effectively manage the cost of disaster and climate shocks while protecting fiscal balances and the welfare of businesses and households through the application of CDRFI instruments.	Building on GFDRR
Gender sensitivity	Vision 2025	Gender sensitivity is the ability to recognize and acknowledge the different and specific vulnerabilities to climate change faced by women, men, and members of LGBTQI due to different perceptions, and interests arising from their different social-economic position and gender roles, and can result in differences on risks, impacts, access and use of insurance and other risk-transfer mechanisms.	Definition applied by InsuResilience Gender WG; based on InsuResilience 2018
Gender responsiveness		Gender responsiveness refers to the importance of addressing the structural and social constraints associated with gender biases and inequalities by integrating measures for promoting gender equality and equity to empower previously disadvantaged groups, foster inclusiveness and provide equal opportunities for women, men and members of LGBTQI, to derive social and economic benefits.	Definition applied by InsuResilience Gender WG; based on UNDP 2015
Impact	IGP Concept note/ Pro poor principles/ Vision 2025	In the context of the InsuResilience Global Partnership, impact refers to the effects that the Partnership's activities and programs have on the lives and livelihoods of vulnerable communities. According to the Pro-Poor Principles, the Partnership aims to make an impact by "creating positive and lasting change for poor and vulnerable people" (for further details also see sub-principles). *Remark: Indicators of impact need to be further defined. For example, Mercy Corps defines positive impact of their financial inclusion work as i) increasing incomes, ii) accumulating assets (and agency over assets), and iii) building resilience. Additional impact indicators to be considered include well-being of people and communities. How these effects can be attributed to the work of the Partnership will be discussed as part of the evidence roadmap, although limitations in assessment possibilities may prevail.*	Pro-Poor Principles
Macro-level CDRFI	Vision 2025 RMS/Vivid Economics Study	Macro-level CDRFI refers to financial arrangements on sovereign or sub-sovereign levels supporting national or sub-national governments in addressing early action disaster response and reconstruction needs. This includes macro insurance schemes such as policies offered to countries by regional risk pools (such as CCRIF, PCRAFI, ARC), contingent credits or CAT bonds.	Building on RMS/Vivid Economics Study

Meso-level insurance	Vision 2025 / RMS/Vivid Economics Study	Meso insurance refers to those situations in which the insured is not an individual, but rather an aggregation of individuals under a collective body. For example, the insured might be an organization that supports a collective of farmers within an area. This meso-level organization buys an insurance product designed to cover the collective of individuals; the individuals themselves are indirect beneficiaries of financial protection. They will receive payments from the meso-level organization, based on any claims paid to the organization through insurance. Such products are often taken out on behalf of vulnerable individuals who do not have adequate protection – or indeed, any protection – through direct personal insurance, as per the example of the Kenya livestock insurance program.	RMS/Vivid Economics Study
Micro-level insurance	Vision 2025 / RMS/Vivid Economics Study	Micro insurance is the direct insurance of individuals or small-business policyholders. Increasingly, however, micro-insurance has come to mean the development of micro-products to insure the most vulnerable individuals in low-income countries; a parallel with the concept of micro-finance.	RMS/Vivid Economics Study
Ownership	Pro poor principles	Ownership in the context of the Partnership means to ensure demand-driven and participatory approaches, which build solution design and implementation processes on sound needs-based assessments, are embedded into existing governance structures and market conditions, and strengthen the capacities of stakeholders, specifically national governments and national private sector, while empowering end users to jointly design, decide and implement solutions. It also points to the transparent conduct in terms of funding and delivery of resources, supported by the establishment of processes and mechanisms for meaningful engagement of the end beneficiary.	Pro-Poor Principles
Poor and Vulnerable	Vision 2025 / Concept Note	• Extremely Poor: defined as people with an income below $1.90 PPP / day • Poor: defined as people with an income below $3.10. PPP/day and above $1.90 PPP/day • People vulnerable to climate risk with the risk of slipping (back) into poverty, defined as particularly exposed to extreme weather events earning below $15 PPP/day and above $3.10. PPP/day	InsuResilience Global Partnership (based on MCII 2016)
Preparedness	Vision 2025/ RMS study/IGP concept note	The knowledge and capacities developed by governments, response and recovery organizations, communities and individuals to effectively anticipate, respond to and recover from the impacts of likely, imminent or current disasters.	https://www.undrr.org/terminology/preparedness

Prevention		Prevention refers to activities and measures to avoid existing and new disaster risks. As an element of climate adaptation and disaster risk management, preventive measures can help to avert expected losses from climate and disaster risk. By minimizing residual risk and associated costs, prevention measures can contribute to making risk finance products affordable and more cost-efficient.	UNDRR https://www.undrr.org/terminology/prevention
Protection Gap	IGP Concept note / RMS/Vivid Economics Study	In the context of the InsuResilience Global Partnership, the protection gap for (climate-related) disasters is defined as uninsured losses as a share of total losses. Two methods are usually considered: (i) actual uninsured losses as a share of actual total losses based on recent disaster events, or (ii) modeled (potential) uninsured losses as a share of modeled (potential) total losses.	
Quality	RMS/Vivid Economics Study / Pro-Poor Principles	One of the Pro-Poor Principles is to implement adequate and high-quality CDRFI solutions that address the needs of poor and vulnerable people. According to the Pro-Poor Principles, important aspects of quality are ongoing learning with a broader risk management context, application of best techniques and practice, evidence-based, needs-based, gender-responsive and inclusive solutions, and careful management of basis risk.	Pro-Poor Principles
Readiness		See Preparedness. The related term "readiness" describes the ability to quickly and appropriately respond when required.	https://www.undrr.org/terminology/preparedness
(Resilient) Recovery	Vision 2025 / RMS/Vivid Economics Study	The restoring or improving of livelihoods and health, as well as economic, physical, social, cultural and environmental assets, systems and activities, of a disaster-affected community or society, aligning with the principles of sustainable development and "build back better", to avoid or reduce future disaster risk.	https://www.undrr.org/terminology/recovery
Resilience	Vision 2025 / RMS/Vivid Economics Study IGP concept note	The capacity of social, economic, and environmental systems to cope with and withstand a hazardous event or trend or disturbance, responding or reorganizing in ways that maintain their essential function, identity, and structure, while also maintaining the capacity for adaptation, learning, and transformation. *Remark: What resilience specifically means in the context of the InsuResilience Global Partnership will be further defined as part of the Evidence Roadmap and the work on the Partnership's Theory of Change.*	IPCC 2014

Response Costs	InsuResilience G7 Accounting Principles	Total costs incurred for undertaking immediate emergency response activities required to save lives, reduce suffering, protect property, and implement other immediate objectives to reduce impacts of emergencies. For calculating beneficiaries of the InsuResilience Global Partnership, response costs are defined as the average cost to sustain a life in the face of a disaster for one month in a particular region or country. *(Note: This builds on the African Risk Capacity's approach to use modeled response costs for claim payment)*	IGP Accounting Principles
Risk Layering	RMS/Vivid Economics Study	Combining (or layering) different financing instruments to protect against events of different frequency and severity in a cost-effective manner. Risk layering allows governments to structure risks and risk transfer instruments for each risk layer in order to optimize cost-effectiveness, allowing the most cost-efficient and effective solution to be applied.	World Bank 2017a
Risk Pooling	RMS/Vivid Economics Study	Risk pooling is a fundamental principle of risk management and insurance: by creating a diversified portfolio of the risks faced by a large number of contributors into a single portfolio, pools ensure that each contributor's share of the portfolio is less risky than its initial share. Risk pooling does not reduce the underlying risk, but rather allows for improved spreading of risk, leading to potentially significant reductions in the cost of risk, particularly for severe events. Risk pools therefore contribute to more effective and more affordable financial risk management.	World Bank 2017b
Social Protection	Vision 2025	Social protection refers to a wide set of policies and programmes that aim to reduce impacts of shocks and stresses on members of society over the lifecycle. Social protection includes safety nets or social assistance, social insurance, labour market interventions and social services. Social protection programmes have been shown to effectively support communities and households in dealing with chronic vulnerability and poverty. Shock-responsive social protection programmes can respond flexibly in the event of an emergency and be scaled up rapidly.	InsuResilience Policy Brief 2019; based on FAO 2016: http://www.fao.org/3/a-i5656e.pdf
Vulnerable countries	RMS/Vivid Economics Study	Countries that are particularly susceptible to climate impacts as a result of both exposure and adaptive capacity due to economic development levels. For InsuResilience Global Partnership, it includes all members of V20 group.	RMS/Vivid Economics Study