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CommunityZ Chest

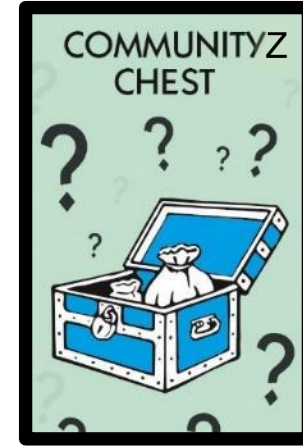


Featuring

Ekhosuehi Iyahun
Secretary General of the
Insurance Development Forum

in conversation with

Professor Michael Mainelli
Executive Chairman, Z/Yen Group



@mrmainelli

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- **Chairman's Introduction**
- **Our guest**
- **Keynote address – the protection gap**
- **Audience Q&A**



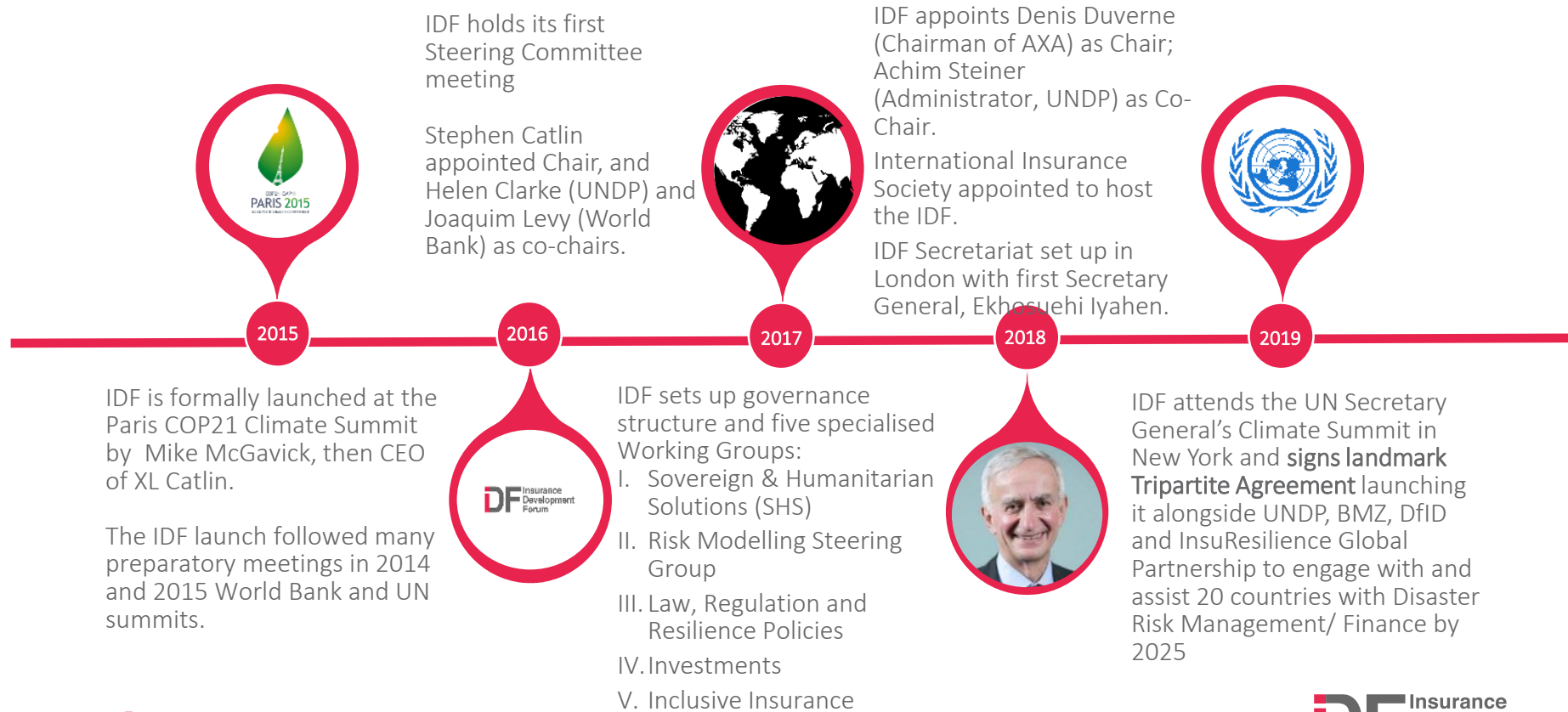
"Get a detailed grip on the big picture."
Chao Kli Ning

What is the IDF about?

- IDF is a unique public private platform for coordination and collaboration, bringing together the insurance industry, the World Bank, the UN, civil society and multiple other actors to help address the Protection Gap.
- IDF's goal is aligned to the InsuResilience Vision 2025, to provide climate risk insurance for 500 million more vulnerable people by 2025.
- IDF's strategy is to use insurance and risk management capabilities to enhance resilience to help achieve the objectives of Sustainable Development Goals and related UN Agreements such as the Sendai framework, the Paris Agreement and others.
- IDF's guiding operating principles are to be **open, participatory, inclusive** and **transparent**.
- For achieving its objectives, the IDF is developing concrete **implementation projects** for countries expressing demand for support from the IDF.



IDF – Timeline



IDF – STRUCTURE

Steering Committee

Chair: Denis Duverne, AXA Chairman
Co-Chairs: Hiroshi Matano, CEO MIGA, World Bank
Achim Steiner, Administrator, UNDP



Operating Committee

Chair: Rowan Douglas, Willis Towers Watson
Co-Chairs: Olivier Mahul, World Bank
Jan Kellet, UNDP

Working Groups: Over 200 experts

Inclusive
Insurance

Investments

Legal, Regulatory
& Resilience
Policies/ LRRP

Risk Modelling
Strategic Group/
RMSG

Sovereign &
Humanitarian
Solutions / SHS

Legal entity: *Insurance Development Forum Limited*

SECRETARIAT

A quick poll

1. Estimate the total losses as a result of natural disasters since 1980:
 - A. US\$ 5,200bn
 - B. US\$ 1,200bn
 - C. US\$ 8,900bn

A second poll

1. What percentage of these losses have been insured?
 - A. More than 70%
 - B. Less than 30%
 - C. More than 40%

The Protection Gap

The **insurance protection gap** is the difference between economic losses caused by disasters, and the amount of those losses covered by insurance coverage.

\$162.5bn

The size of the global insurance protection gap. Emerging economies account for \$160bn (96%) of this.

Lloyd's World At Risk report, Oct 2018
www.lloyds.com/worldatrisk

1%

The percentage of natural disaster losses in developing countries 1980-2004 that were insured. This compares to c.30% in developed countries.

Dag Hammarskjöld Foundation and UNDP 2019
[Financing the UN Development System: Time for Hard Choices](#)

\$4tn

The estimated figure lost to extreme natural disaster events globally over the past 40yrs, US \$2.9 trillion of which was uninsured.

[Swiss Re database of natural catastrophes](#)

IDF Insurance
Development
Forum

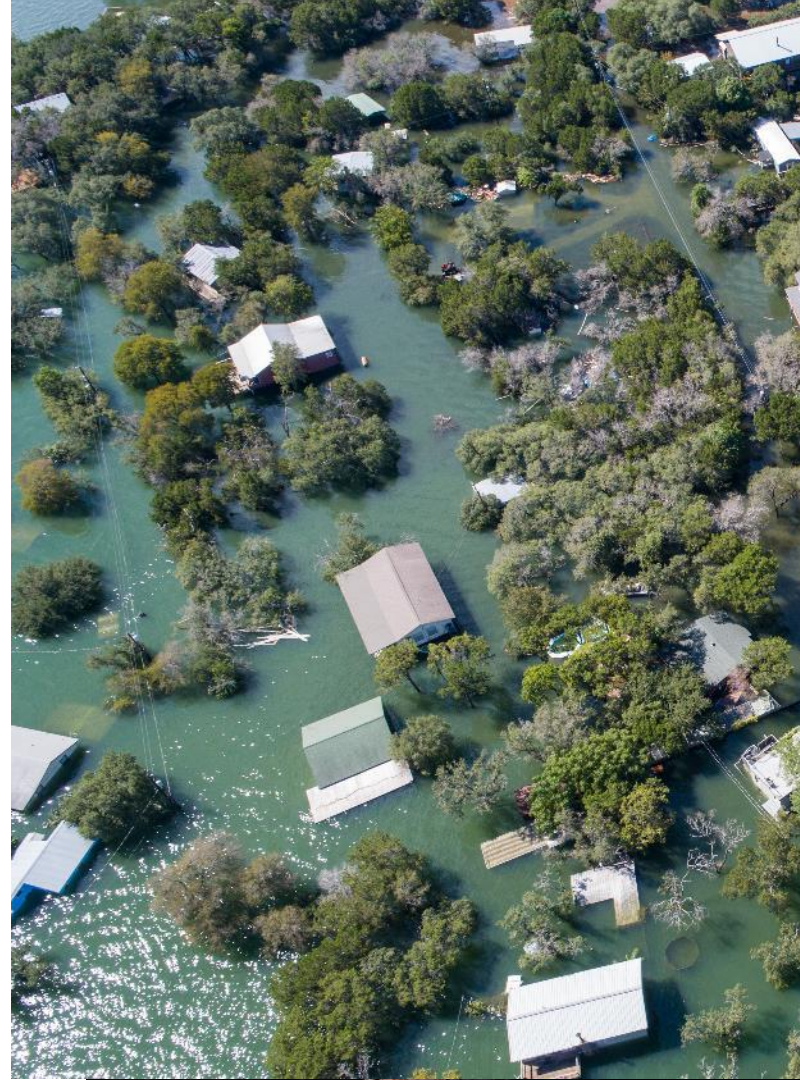


Humanitarian Funding Gap

- Funding Requirement: \$29.7bn
- Funding received: \$15.96bn
- Funding coverage: 54%

Mismatch between commitment to protect and funding model

- Poor preparedness planning
- Underinvestment in data and systems for response
- Underinvestment in adaptation and risk reduction
- Slow, politicized, tactical decision-making process
- Fragmented, poorly coordinated response
- Limited learning



THOSE IN MOST NEED OF PROTECTION ARE UNINSURED

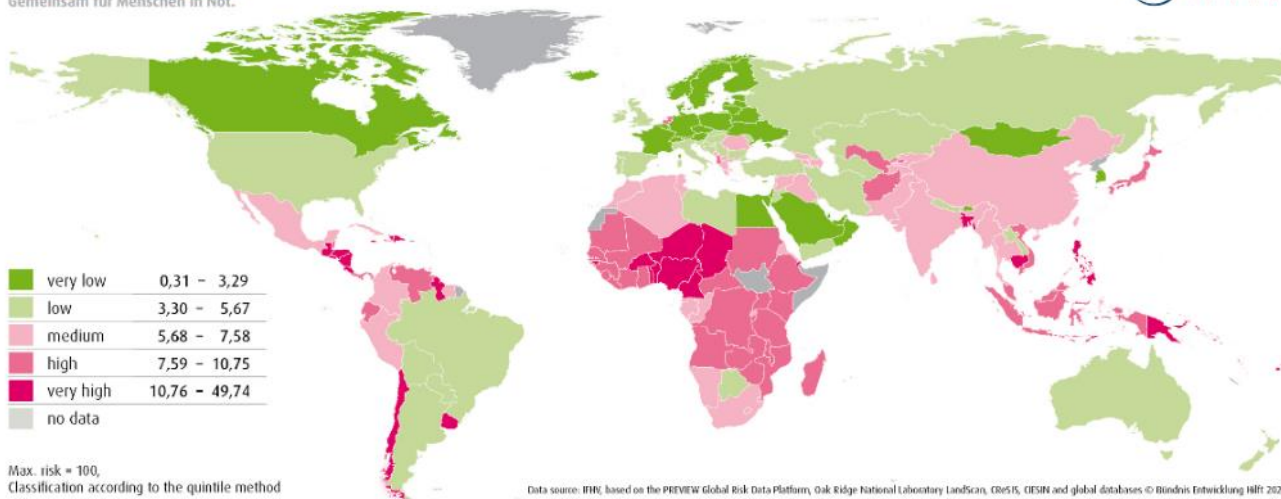
**Bündnis
Entwicklung Hilft**

BRUNNEN | STERN | ZEITUNG | SPIEGEL | WELT | SPIEGEL | SPIEGEL | SPIEGEL
Gemeinsam für Menschen in Not.

WorldRiskIndex¹ Exposure and Vulnerability to Extreme Events

RUHR
UNIVERSITÄT
BOCHUM

RUB



Coastal flooding exposure in
Asia²

2005

1 Asian
city in top
10

2070

8 Asian
cities in top
10

What is driving the
exposure?



Socio-economic growth



Urbanization



Population
growth

Africa very vulnerable

Top 10 **vulnerable**
countries are in
Africa.¹

1- <https://weltrisikobericht.de/english/#group> (2020)

2- Allianz Global Corporate & Speciality (2015), Storm exposures: The changing landscape in Asia (based on OECD analysis - 2008)

Finance is one part of the solution

1. Risk awareness & understanding
2. Prevention & risk reduction
3. Plan for disaster response
4. A fast, evidence-based decision-making process
5. Financing on standby to ensure that the plan can be implemented

Role of insurance!



PPP REQUIRED IN CHALLENGING CONDITIONS



Challenging situation

- Lack of accessible historical loss data despite frequent floods.
- Patchy hazard and exposure data; flood risk not quantified.
- Out-dated public assets registry
- Challenges with waste management; blocked drains.



Understanding the risk

- Updated public assets registry (geo-referenced).
- Hazard and exposure analysis with risk profile of all public assets.
- Cost-benefit analysis of identified risk reduction measures.
- Flood risk app to improve awareness and support for waste management awareness.

Towards insurability

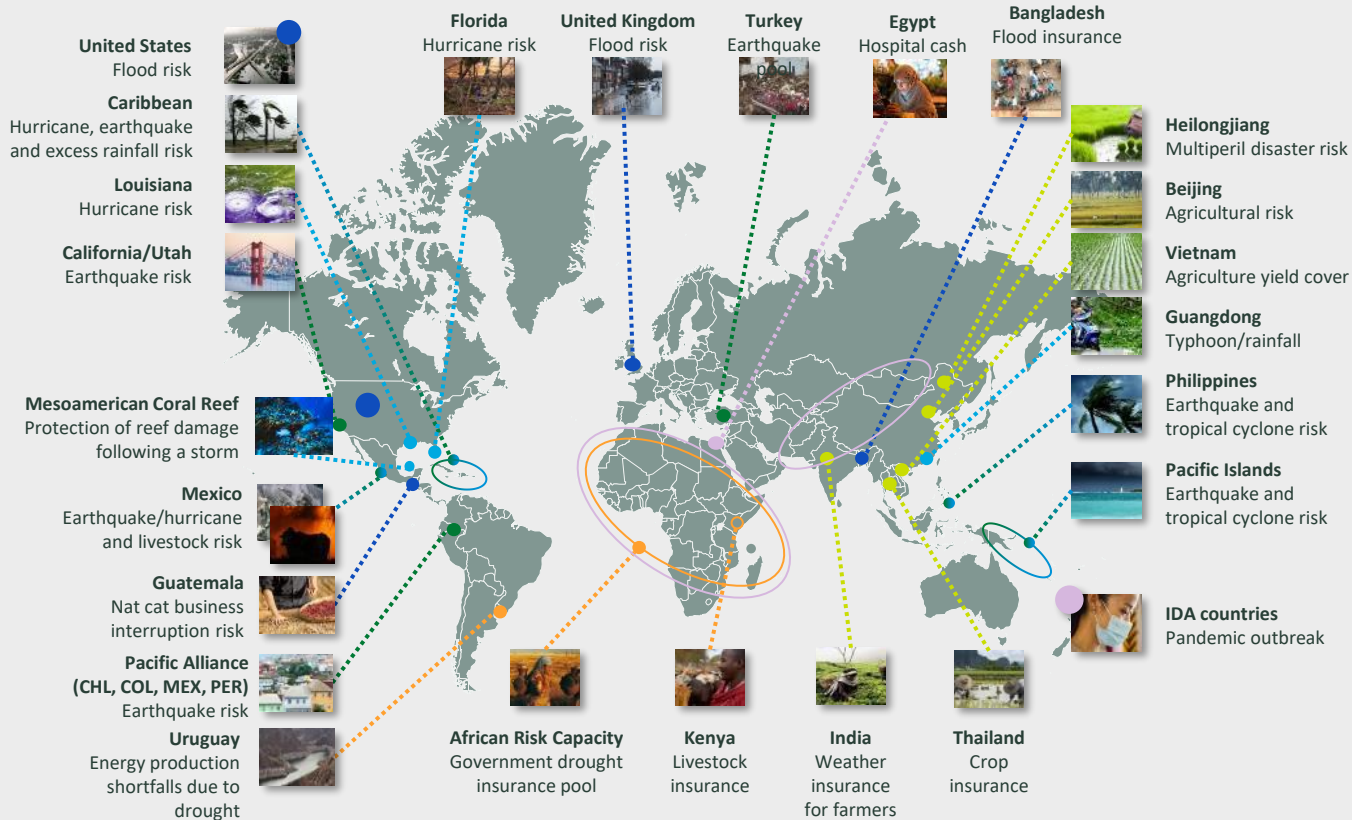


To provide affordable, accessible, and reliable cover:

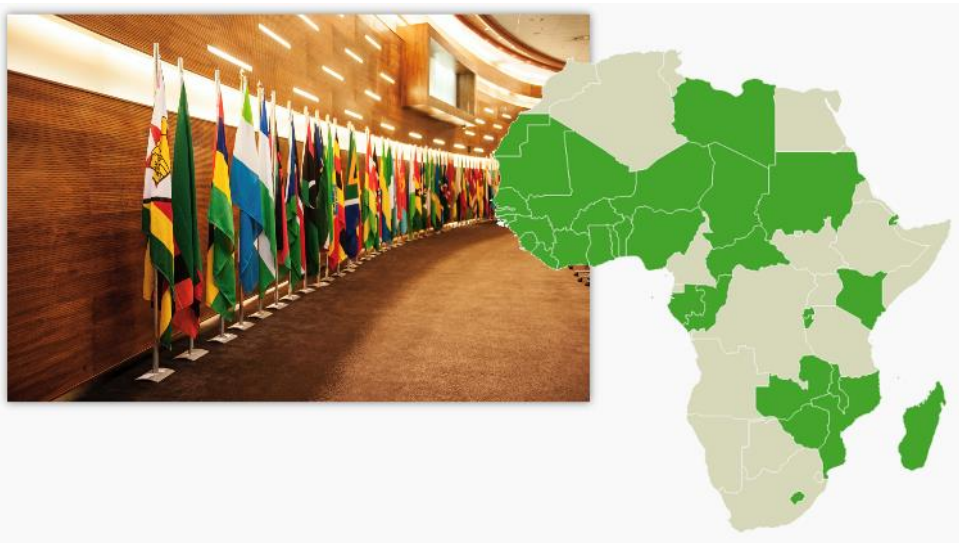
- Invest in risk reduction (e.g. waste management, drain expansion, etc.)
- Improve risk awareness and attitude towards risk in general
- Public sector support/local ownership needed to implement these measures

Strategic Alliance with GIZ in Morocco (SMEs), Ghana (Public assets) since 2017.

Accompanying governments across the world on their resilience journey



Example: African Risk Capacity



**\$1 spent through ARC saves
\$4.40 in post disaster
response**

>\$61 mil in payouts for early responses

>2,100,000 vulnerable people assisted

*>\$600 mil in drought risk coverage
provided*



Customised Early
Warning



Contingency
Planning



Parametric
Insurance



Risk Pooling & Risk
Transfer

Key success factors for closing the protection gap in emerging markets

Understanding the client

- Risk awareness & understanding may be low
- Prevention & risk reduction is top of mind
- Risk transfer is “optional”
- Political expediency may change
- Who takes the decision?
- Is funding available?

Working with partners

- Local partners / presence important for trust and for keeping the eye on the ball
- IFIs and other development organizations can be important facilitators and guarantors of appropriate governance
- Role of technology and technology partners

In for the long haul

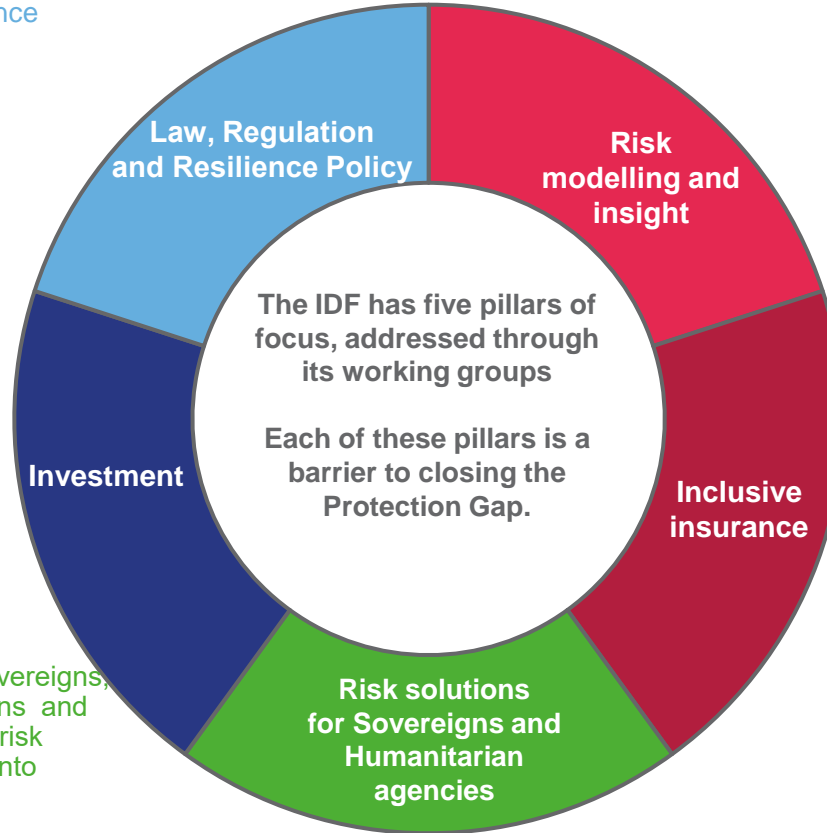
- Top management commitment and understanding of the long term nature of the investment
- Undertaking must have a commercial rationale for sustainability
- Broad pipeline management – success rate is low

The challenges of closing the protection gap

Supporting the development of insurance laws, regulations and public policy frameworks that enable and enhance sustainable development and economic/social resilience to natural catastrophes and other insurable loss events.

Looking to increase the sectors and countries in which insurance investments can operate by exploring how insurers, working with development banks and others, can support the requirements for investment in resilient and sustainable infrastructure in emerging and developing countries.

Addressing the insurance needs of sovereigns, sub-sovereigns, international institutions and humanitarian agencies, as insurance/ risk management become mainstreamed into disaster resilience planning.



There is an urgent need to improve global understanding and quantification of natural hazard disaster risk through the use, development and sharing of the re/insurance sector's catastrophe risk modelling capabilities.

The goal is to drive and enhance coordination and collaboration on inclusive insurance projects, and maximise the impact and efficiency of programmes that build financial resilience and inclusion in local communities vulnerable to climate change and other disasters.

IDF – THE TRIPARTITE AGREEMENT

Aim to increase insurance protection in climate-exposed countries in line with the InsuResilience Vision 2025 goals.

Will provide technical assistance and risk solutions to 20 climate-vulnerable countries by 2025, and to accelerate the implementation of risk management solutions to increase resilience to climate risks to benefit 500 million individuals.

Support a substantial scale-up in the use of pre-arranged risk finance and insurance mechanisms as part of global resilience and adaptation ambitions



PROJECT EXAMPLE – PERU

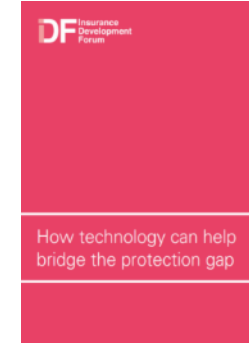
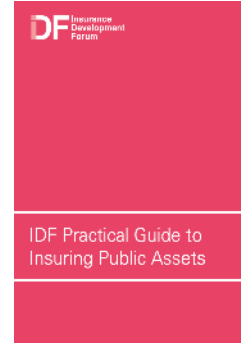


- **Objective:** To improve continuity for children’s education by accelerating reconstruction, while also strengthening the resilience of public schools in Peru natural catastrophes
- **Project consortium:**
 - Global re/insurers: AXA XL, Munich Re
 - Risk modelers: GEM, JBA
 - InsuTech: Picsure
 - Association of Peruvian Insurers : APESEG
- **Term and funding:**
 - 2 years
 - EUR 2.540 M funded 50% by Germany’s Federal Ministry of Economic Cooperation through the InsuResilience Solutions Fund and 50% by the Project Consortium
- **Product:** Comprehensive Risk Management and Insurance Program for up to 50’000+ public schools
- **Components:**
 - Understanding the risk
 - Structuring a solution
 - Efficient claims management
 - Organizational set-up to manage the program
 - Innovation with image capturing technology and AI
- **Outcome:**
 - Coverage in place for critical public assets
 - Providing reinsurance capacity for public assets in Peru (from 2023 onwards)

Thank you

- **Building Systems & creating Public value**

- Capacity building
 - Knowledge outputs
 - Seminar series
 - Publications
- Innovation
 - New product development
 - Risk information
 - Leveraging technology
- Fostering collaboration and coalitions
 - Improved systems
 - New structures
 - Public value





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Questions, Comments, Answers (?)



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When Would We Know Our Commerce Is Working?



*“Get a big picture grip on the details.”
Chao Kli Ning*

Thank you!

