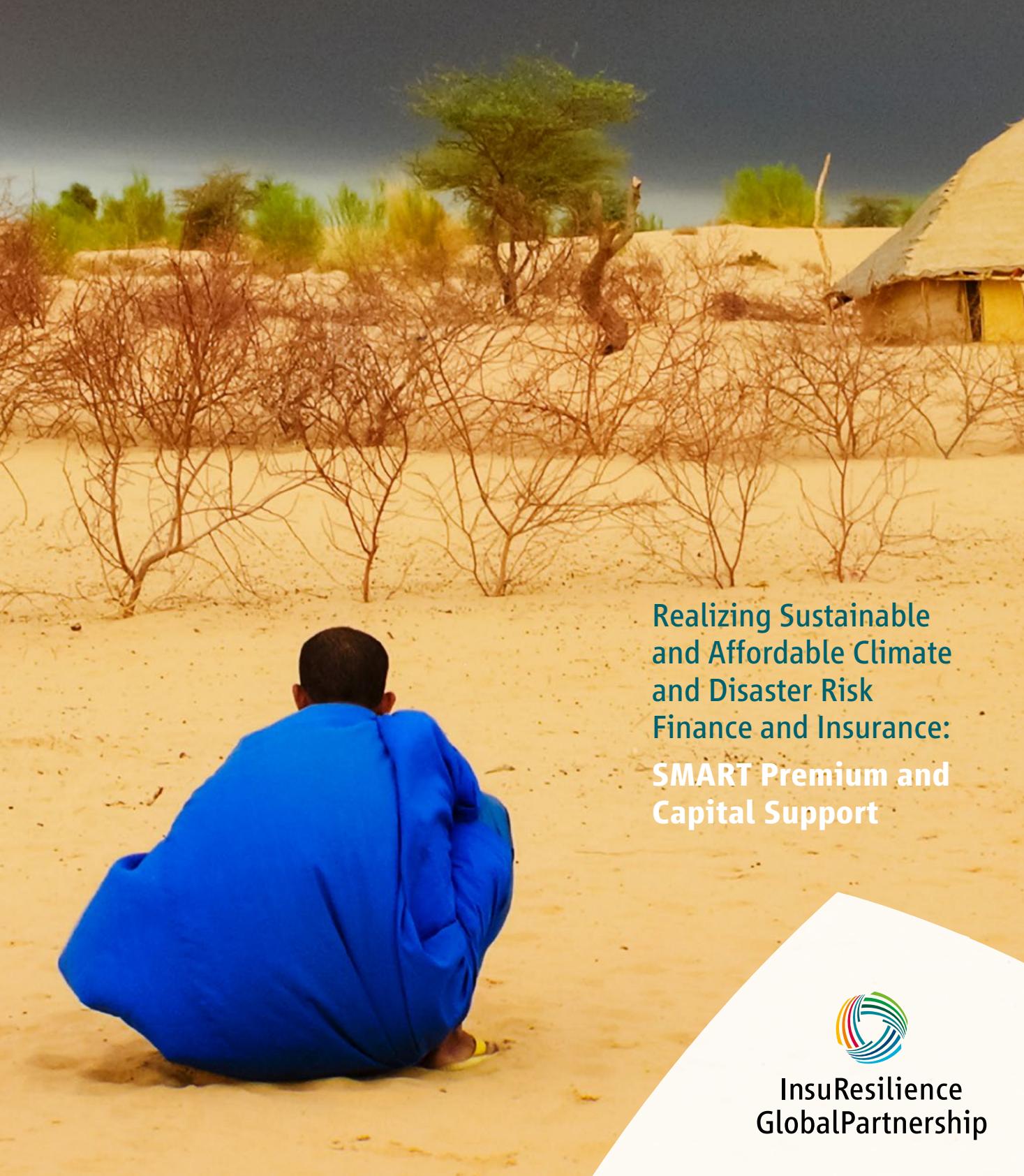


# INSURESILIENCE

magazine

1<sup>ST</sup> ISSUE // OCT 2021



Realizing Sustainable  
and Affordable Climate  
and Disaster Risk  
Finance and Insurance:  
**SMART Premium and  
Capital Support**



InsuResilience  
GlobalPartnership

# CONTENT

## INSURESILIENCE AT A GLANCE

- 04** Promoting Financial Resilience for the World's most Vulnerable People: the InsuResilience Global Partnership

### IMPRINT

#### Acknowledgements

The editors gratefully acknowledge the valuable contributions and input of:  
Sara Ahmed, Benita Ainabe,  
Carlos Alvarenga, Dan Bierenbaum,  
Johannes Borchert, Sabine Brickenkamp,  
Andrea Camargo, Daniel Clarke,  
Susanna de Sousa, Annette Detken,  
Ibrahima Cheikh Dioung, Letícia Gonçalves,  
Walter Hernandez, Ekhosuehi Iyahen,  
Alexander Jäger, Antje Kästner,  
Rebecca Lewis, Josh Ling,  
Chinedu Moghalu, Lesly Ndlovu,  
Architesh Panda, Zoë Scott, Viktoria Seifert

#### Editors

InsuResilience Secretariat:  
Jonathan Auer, Laura Gille,  
Lea Sarah Kulick (Editor-in-Chief),  
Daniel Stadtmüller, Astrid Zwick

#### Copy Editing

Katrin Kohl

#### Design and Layout

kippconcept gmbh, Bonn

October 2021

Published by the InsuResilience Secretariat

#### Registered office

InsuResilience Secretariat  
c/o Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Friedrich-Ebert-Allee 32+36  
53113 Bonn, Germany

[secretariat@insuresilience.org](mailto:secretariat@insuresilience.org)  
[www.insuresilience.org](http://www.insuresilience.org)

#### Photo credits

AdobeStock: harvepino (p. 1), suriyan ponchaisang/EyeEm (p. 3-2), Linasm (p. 4-1), Riccardo Mayer (p. 5), Vic Josh (p. 10), metamorworks (p. 12), Ronny Hoher (p. 13), nirutt (p. 15); Chewy Lin Photography & Cinematography (p. 8); GettyImages: Luis Dafos (p. 1); GIZ: (p. 2-2), Victoria Hohenhausen (p. 4), Thomas Imo/photothek (p. 5, 17), (p. 11), (p. 15), Ursula Meissner (p. 16); InsuResilience (p. 3-1); iStockphoto: Cheryl Ramalho (p. 2-3), Nikada (p. 18-2); One Acre Fund/John Okach (p. 18-3); Thomas Trutschel/photothek (p. 9); WFP/ Walter Hernández (p. 18-1)



## IN FOCUS: PREMIUM AND CAPITAL SUPPORT

- 08** Exclusive Interview with Parliamentary State Secretary Maria Flachsbarth and H.E. Former Minister Alfred Alfred Jr, Co-Chairs of the High-Level Consultative Group of the InsuResilience Global Partnership
- 12** Shaping the Future of an Effective International Crisis Response System: How Insurance Needs to Matter
- 15** Disaster Risk Management in Africa: The Role of Premium Support



## INSURESILIENCE AT WORK

- 18** Latest InsuResilience Case Studies and Update on the Sustainable Insurance Facility
- 19** Updates from Members and InsuResilience Activities

# EDITORIAL



Dear Reader,

We are delighted to launch the very first edition of our brand-new InsuResilience Magazine. This magazine series is intended to shine a spotlight on the most recent issues driving the InsuResilience Global Partnership and the wider community for Climate and Disaster Risk Finance and Insurance (CDRFI).

There is currently a drive towards a global paradigm shift from an ex-post to an ex-ante approach and stronger adoption of prearranged risk finance. Against this backdrop, this edition's focus topic reflects on the role of **SMART Premium and Capital Support**. We want to spark the conversation on how to accelerate the scale-up of CDRFI solutions and we will continue to dive deeper into this discussion at the InsuResilience Annual Forum being held on 28 and 29 October 2021 – together with the authors of our three focus articles who share their different viewpoints with us. Our first edition is proud to feature an interview with our Co-Chairs of the InsuResilience High-Level Consultative Group, and two perspective pieces by the African Risk Capacity and the Centre for Disaster Protection in co-authorship with the Insurance Development Forum.

Enjoy your read and tune in for the virtual Annual Forum.

My very best wishes,  
**Astrid Zwick**  
Head of the InsuResilience Secretariat



## CLIMATE AND DISASTER SHOCKS COMPROMISE LIVES, LIVELIHOODS AND DEVELOPMENT GAINS OF POOR AND VULNERABLE PEOPLE

- Extreme weather events and disasters drive **26 million people** into poverty each year.<sup>1</sup>
- In 2020, natural catastrophes caused **USD 190 billion in losses**.<sup>2</sup>
- In the absence of prearranged risk financing, governments of developing countries and affected households must divert scarce funds to address the impact of disasters.<sup>3</sup>



<sup>1</sup> Unbreakable: Building Poor People's Resilience in the Face of Disaster (World Bank 2017)

<sup>2</sup> Sigma 1/2021 – Natural catastrophes in 2020 (Swiss Re Institute 2021)

<sup>3</sup> Resilience Index 2021: a cyclical growth recovery, but less resilient world economy (Swiss Re Institute 2021)

<sup>4</sup> 89% of losses from climate-related extreme events are uninsured (2000-2019), (OECD 2021)

## KEY BENEFITS OF CLIMATE AND DISASTER RISK FINANCE AND INSURANCE



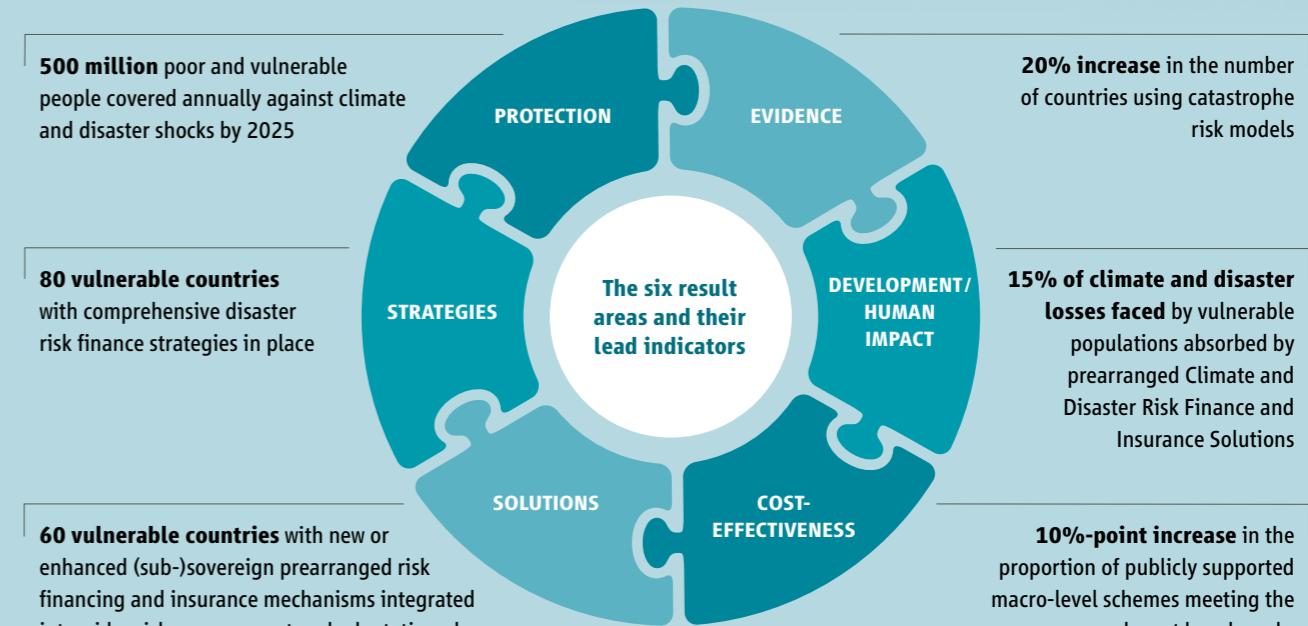
## INSURESILIENCE IS AN INTERACTIVE, INCLUSIVE MULTI-STAKEHOLDER PLATFORM

The InsuResilience Global Partnership (IGP) promotes the use and scale-up of prearranged Climate and Disaster Risk Finance and Insurance (CDRFI) solutions. This enables vulnerable countries to respond faster, reliably and cost-effectively to a disaster, and be better prepared for climate and disaster risks.

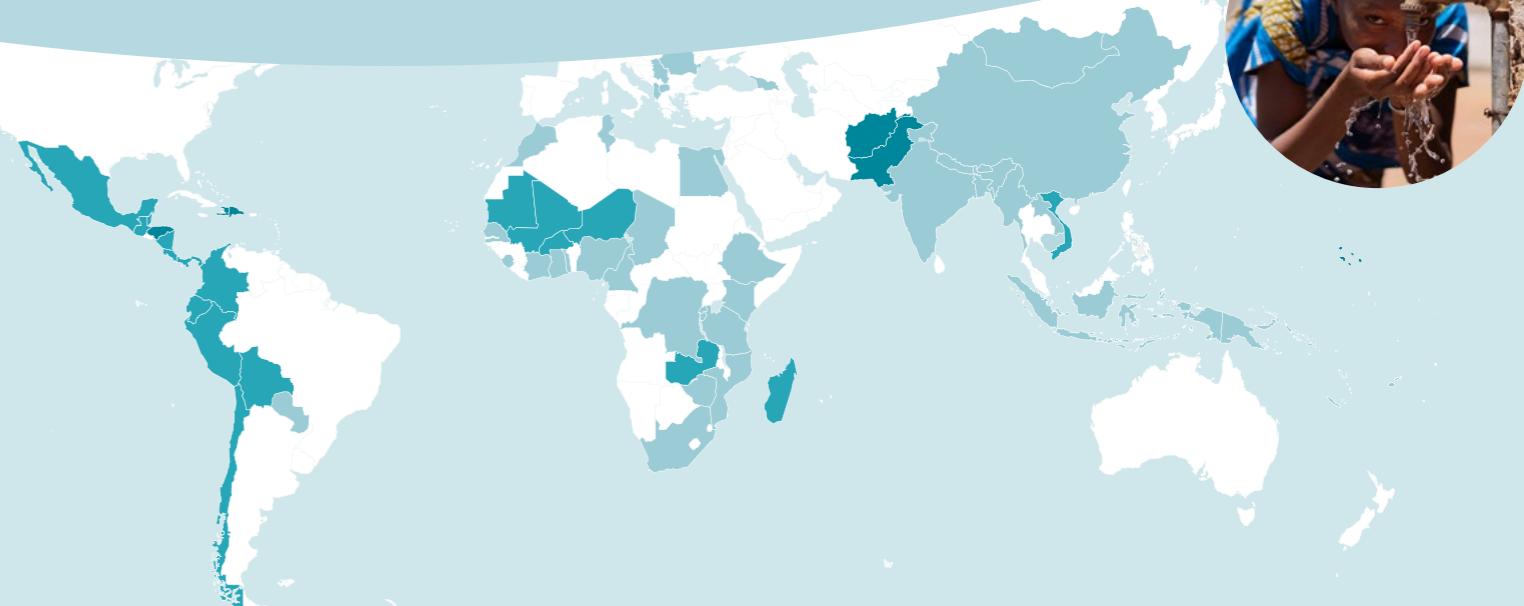
- Facilitating accessible and affordable products/ solutions for vulnerable countries by linking needs and solutions
- Driving a common global agenda to raise ambition levels
- Enabling convergence, collaboration and coordinated implementation efforts by empowering actors
- Sharing best practices and improving insight into country and community-specific resilience needs
- Integrating CDRFI in climate adaptation and resilience policies

## THE INSURESILIENCE VISION 2025

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 climate shocks and disasters.



The IGP's refined M&E framework comprises six key result areas and 19 indicators with corresponding targets. The lead targets for each key result area are stated in this figure. See the [Vision 2025 Background Note](#) for a complete list of indicators and targets.



## PROGRAMMES AND RISKS COVERED

**22**  
programmes

**218**  
projects

**101**  
countries

# PROMOTING FINANCIAL RESILIENCE FOR THE WORLD'S MOST VULNERABLE: THE INSURESILIENCE GLOBAL PARTNERSHIP

## HIGH-LEVEL CONSULTATIVE GROUP

The steering body of the InsuResilience Global Partnership  
The High-Level Consultative Group (HLCG) sets the strategic direction of the InsuResilience Global Partnership (IGP) and provides a global strategic vision for the evolution of the Climate and Disaster Risk Finance and Insurance (CDRFI) agenda. The HLCG is made up of representatives from all member groups, reflecting the diversity of stakeholders involved in the Partnership. It promotes strategic alignment of the Annual Forum and the Program Alliance and fosters the exchange between developing and industrialized countries in prearranged finance and resilience.

## PROGRAM ALLIANCE

The Program Alliance transforms policy into impact. It brings together donors, implementing partners and programmes that share the common ambition of strengthening the financial resilience of poor and vulnerable populations against climate and disaster risks. The purpose of the Program Alliance is to facilitate efficient and coordinated global action on CDRFI on an operational level, promoting coherence across the in-country work of member programmes. The Program Alliance helps to harmonize donor contributions to countries in line with the overarching goals of the IGP. The main focus is on driving forward the development, implementation and financing of practical solutions, and to facilitate technical collaboration across programmes. Services include research, data modelling, innovation and learning, technical assistance, solution design and implementation, concessional insurance, and monitoring, reporting and evaluation.

## ANNUAL FORUM

The Forum is the global flagship event of the CDRFI community. Since 2017, it has brought together all IGP members and the wider resilience community every year to exchange knowledge on lessons learned, best practice and innovations. The outcomes can help to improve and upscale financial protection for poor and vulnerable people. This collaborative forum serves to shape the global agenda for CDRFI. The [#2020 Forum](#) was held virtually for the first time.

## HIGH-LEVEL CONSULTATIVE GROUP



**H.E. former Minister Alfred Alfred Jr**  
Republic of the Marshall Islands  
HLCG Co-Chair  
vulnerable countries

## PROGRAM ALLIANCE

### ANNUAL FORUM

The global flagship event of the Climate and Disaster Risk Financing and Insurance community

## InsuResilience Global Partnership

## SECRETARIAT

Central support unit for the InsuResilience Global Partnership and all its members

## WORKING GROUPS

Bringing Partnership members together to exchange and collaborate on gender, impact and integrated approaches

## CENTRE OF EXCELLENCE ON GENDER-SMART SOLUTIONS

Realizing gender-smart action for Climate and Disaster Risk Finance and Insurance

## WORKING GROUPS

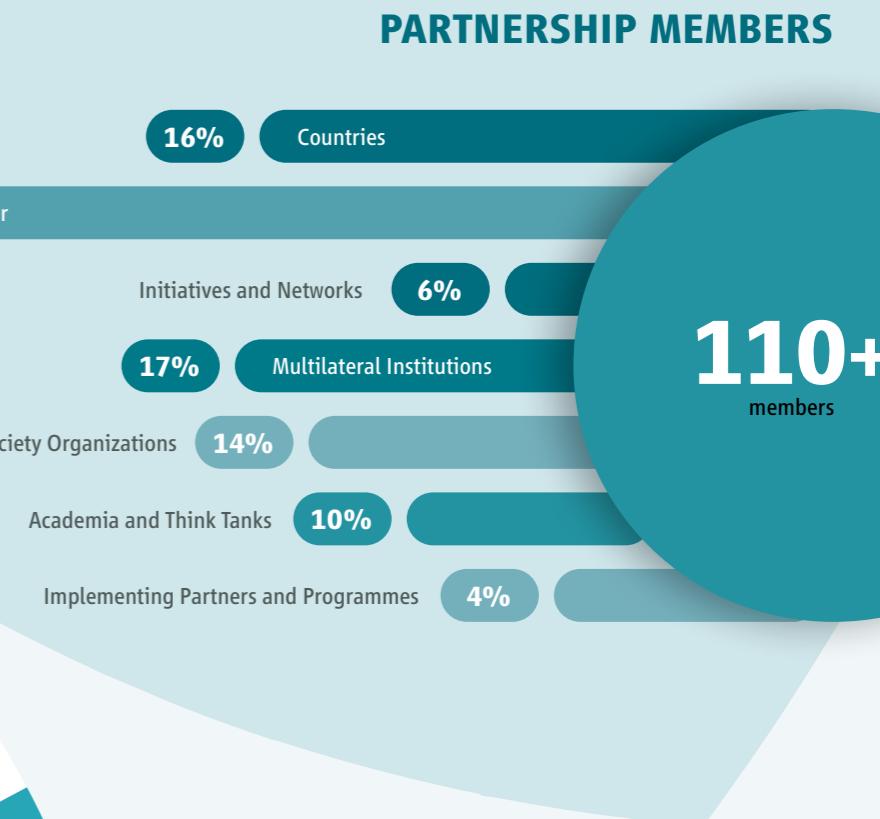
The three Working Groups (Gender, Impact and Sectoral Communities on Integrated Approaches) facilitate the exchange of new ideas and expertise between all members of the IGP. The Secretariat encourages members to engage actively on core topics from academic and practical perspectives, such as access to risk data, capacity building, gender responsiveness, innovation and new product development, etc. The results feed into the Annual Forum and inform the HLCG.

## CENTRE OF EXCELLENCE ON GENDER-SMART SOLUTIONS

The InsuResilience Centre of Excellence ('CoE') plays a key role in identifying gender-equitable disaster risk management strategies and supports the design, promotion and integration of gender-responsive and -sensitive approaches to CDRFI solutions. The CoE serves as a global platform that enables members to create gender-transformative action on the ground by accessing the latest knowledge, provide hands-on guidance and engage in a vibrant community that is re-thinking gender inclusiveness.

## SECRETARIAT

The Secretariat serves as an administrative support unit for the IGP. It is the central hub for coordination, knowledge sharing, matchmaking, monitoring and evaluation, and support in relation to all Partnership bodies. It facilitates research, develops guidance and builds capacity to promote pro-poor CDRFI initiatives. The Secretariat also fosters transparency between actors, projects and solutions.



H.E. FORMER MINISTER ALFRED ALFRED JR OF THE MINISTRY OF FINANCE,  
BANKING AND POSTAL SERVICE OF THE REPUBLIC OF THE MARSHALL ISLANDS AND  
MARIA FLACHSBARTH, PARLIAMENTARY STATE SECRETARY TO THE GERMAN  
FEDERAL MINISTRY FOR ECONOMIC COOPERATION AND DEVELOPMENT  
SHARE THEIR VIEWS ON SMART PREMIUM AND CAPITAL SUPPORT

# Perspectives of the Co-Chairs of the InsuResilience High-Level Consultative Group

**M**embers of the InsuResilience Global Partnership (IGP) have engaged in a systematic consultation process to jointly develop Principles for SMART Premium and Capital Support (S – Sustainable impact for the most vulnerable, M – Value for Money, A – Accessibility, R – Resilience-building incentives, T – Transparency and Consistency). The Principles are being presented to the InsuResilience High-Level Consultative Group (HLCG) for approval on 27 October 2021. In this exclusive interview, the two HLCG Co-Chairs express their expectations for these Principles and articulate how they connect with the challenges for Climate and Disaster Risk Finance and Insurance (CDRFI) in climate-vulnerable countries. Parliamentary State Secretary Maria Flachsbarth also shares some reflections on her time as Co-Chair towards the end of her period of office and sets out her vision for the Partnership's future.



**Like many other vulnerable countries, the Republic of the Marshall Islands is facing increasing climate risks, while large-scale implementation of CDRFI is still under way. Why is it challenging for vulnerable countries to take up climate and disaster risk insurance?**

**H.E. former Minister Alfred Alfred Jr\***: Climate change is accelerating faster than expected and this spells economic and financial devastation for the most climate-vulnerable developing countries. We urgently need to reform international finance, including debt restructuring, to expand fiscal space for climate change adaptation and long-term resilience. Most vulnerable governments rely on ex-post finance to support their disaster response. However, the channels for ex-ante finance are limited. Solutions may be market-based insurance schemes at the micro- or meso-levels, or macro-schemes such as regional risk pools. However, often they either do not yet exist, are too costly or do not offer the kind of coverage needed. The Marshall Islands face significant drought risk, but so far, the Pacific Catastrophe Risk Insurance Company does not provide protection for this hazard. Furthermore, several of the existing schemes may not be accessible to interested parties yet – either because these parties fall outside the eligibility criteria or simply because they are not affordable. Transforming the global risk financing landscape to ease the fiscal burden of the vulnerable countries resulting from exposure and vulnerability to climate risks is the biggest priority now.

\* On 18 October 2021, there was a change of representatives in the Ministry of Finance, Banking and Postal Service in the Republic of the Marshall Islands. The successor to former Minister Alfred Alfred Jr is Brenson S. Wase as Minister for Finance, Banking and Postal Service of the Republic of the Marshall Islands.

**H.E. former Minister Alfred Alfred Jr**  
Republic of the Marshall Islands  
HLCG Co-Chair vulnerable countries

**What role does premium and capital support play for vulnerable countries? And how can it best respond to the needs of V20 countries, while setting the right incentives for climate-resilient development?**

**H.E. former Minister Alfred Alfred Jr**: The provision of premium and capital support can help in many ways. It could provide essential initial capital to increase the affordability of climate and disaster risk insurance, by reducing product development costs or by expanding insurance markets. However, we require significant growth in premium income and policyholders to sustain insurance schemes long term. Any intervention in premium and capital support must be embedded in wider efforts to strengthen consistent revenue streams from public or private actors, and domestic households. Over time, this may sustain insurance schemes beyond donor contributions and reduce contingent liabilities of governments. At the same time, we also need to recognize that in some cases premium and capital support may be required over the long-term. More donor support is critical for increasing vulnerable countries' capacity to tackle the economic and fiscal impacts of natural hazards. The V20 Communiqué in July 2021 called for accelerating the use of CDRFI through more reliable, accountable, and systematic premium and capital support. This will play a crucial role in enhancing the ex-ante disaster preparedness of V20 countries, including the Marshall Islands. It will also help achieve our IGP goal of covering 500 million people by 2025. Long-term resilience through risk transfer will be limited if we lack action in these areas.

**How will Germany contribute to the implementation of the SMART Premium and Capital Support Principles?**

**Parliamentary State Secretary Maria Flachsbarth**: In order to make poor and vulnerable people more resilient against climate shocks, the German government will continue to support adaptation as well as Climate and Disaster Risk Finance and Insurance – or CDRFI for short. Premium and capital support can play a key role in making existing CDRFI solutions both more affordable and

sustainable. The "SMART" Premium and Capital Support Principles will provide guidance on designing premium and capital support. This will help to overcome affordability barriers and maximize the resilience impact of CDRFI. Whenever my Ministry supports CDRFI programmes with a premium and capital support component, it is going to require them to adhere to the SMART Principles. We are already providing premium support under the InsuResilience Global Partnership through several programmes, including the InsuResilience Investment Fund, the InsuResilience Solutions Fund and the African Risk Capacity, with premium support of EUR 18 million in 2021.

**As you will be stepping down from your role as Co-Chair when the new German government takes office, looking back on your time at InsuResilience, what are you proud of and what do you wish the InsuResilience Global Partnership to achieve in the future?**

**Parliamentary State Secretary Maria Flachsbarth**: Today, the InsuResilience Global Partnership unites more than 110 members and partners with tremendous expertise and capacities from all parts of the world behind its Vision 2025. The Partnership's key goal is to protect 500 million people annually against climate shocks by 2025. Starting out as the InsuResilience Initiative at the Elmau G7 Summit in 2015, the InsuResilience Global Partnership has since grown enormously in size and ambition. Most importantly, we are seeing real progress on the ground. Bearing in mind that the development of CDRFI solutions and their introduction to the market are lengthy processes, I am immensely proud to see that 22 programmes were already active in over 100 countries in 2020, and that last year alone 137 million people could be protected against climate and disaster risks. And with the InsuResilience Declaration on Gender and the launch of the Centre of Excellence on Gender-smart Solutions, gender-transformative action has been made an integral part of all aspects of the Partnership's work. All these are great achievements. Nevertheless, climate risks are increasing – even if we keep global warming to 1.5 degrees – and there is a risk of immeasurable suffering. The recent flooding in the Ahr valley and the surrounding area has given Germany a dramatic impression of these risks – and how much bigger are such impacts in regions with less coping capacity! We urgently need effective climate risk protection for the world's poorest and most vulnerable people. The role of the InsuResilience Global Partnership is therefore becoming even more important. We all need to continue to work together so that the Partnership can reach its ambitious targets – building up protection cover globally for the poorest and most vulnerable. During its upcoming G7 Presidency, I hope that Germany will take forward the climate risk agenda, continuing the work of the UK Presidency this year and building on the InsuResilience 2015 Elmau legacy.



**Parliamentary State Secretary Maria Flachsbarth**  
Germany  
HLCG Co-Chair industrialised countries

**What are your expectations on the impact and transformative potential of the SMART Premium and Capital Support Principles that build on input by the High-Level Consultative Group, the V20 Troika and other members of the IGP?**

**H.E. former Minister Alfred Alfred Jr:** The global resilience community lacks experience and practical guidance in using premium and capital support for CDRFI schemes. However, that should not be a cause for inaction.

Initial SMART Principles and operational guidelines for premium and capital support have been provided by the V20 as guidance for further action and input to the 5<sup>th</sup> HLCG Meeting. We expect that the five Principles of SMART Premium and Capital Support create an overarching framework to initiate and implement use in V20 countries. These Principles are based on the need to align with realities on the ground and the experience of V20 countries in CDRFI. For example, it is important that premium and capital support addresses the immediate needs of countries and the need to integrate long-term concerns of limiting debt burdens by attracting more investment capital for climate-vulnerable countries.

As there are no clear guidelines on premium and capital support provision for vulnerable countries, we expect these Principles to guide policymakers and donors in the implementation of premium and capital support in V20 economies through structured and clear approaches. SMART Principles are a first step towards common guidelines, but we also need to ensure that premium and capital support is operationalized through a transparent delivery structure that suits the individual regional, national and market contexts.

**Parliamentary State Secretary Maria Flachsbarth:** A systemic shift from ex-post to prearranged finance is crucial for rapidly assisting affected communities and reducing the overall price that the world pays for climate-related disasters. Concessional finance can improve the affordability and sustainability of CDRFI schemes in developing countries, especially in times of fiscal distress. We initiated a collaborative, Partnership-wide consultation process with the aim of sharing and consolidating members' knowledge about how to make optimal use of premium and capital support, serving the interests of poor and vulnerable people. The result is the SMART Premium and Capital Support Principles to be approved by the InsuResilience High-Level Consultative Group on 27 October 2021. The Principles will provide guidance on how to design and implement premium support and how to capitalize risk carriers so as to reach those most in need. The SMART Premium and Capital Support Principles will also represent a political consensus that allows the InsuResilience Global Partnership to push for more effective and durable CDRFI solutions.



## Shaping the Future of an Effective International Crisis Response System: How Insurance Needs to Matter

EKHOSUEHI IYAHEN, SECRETARY GENERAL, INSURANCE DEVELOPMENT FORUM AND DANIEL CLARKE, DIRECTOR, CENTRE FOR DISASTER PROTECTION

**C**ovid-19 has ushered in a time of tremendous loss and global uncertainty. For many people, violent disruption and living in a permanent state of unpredictability has always been part of their world – in 2020, it became a universal norm.

The impact of Covid-19 and the 6<sup>th</sup> IPCC Assessment Report<sup>1</sup> present us with some hard and unavoidable facts. It is no longer possible to ignore the interconnected nature of our world and the consequences of national priorities on the global community. There is an increasing sense of the urgent need to create systems that are fairer, more effective and just.

The old ways of providing aid no longer stand up to scrutiny and require a critical review of the institutions and mechanisms that we've built to offer protection in times of crisis. While money was mobilized more quickly than usual for Covid-19, the system overall demonstrated fundamental weaknesses and gaps that create inefficiency and delay, and deny those in need the fundamental dignity of receiving help without having to beg for it.

Our aid systems exist to facilitate support between people across the world – people in crisis situations or at risk of crisis, and those willing to stand in solidarity with them. There has been a change in the relationship between a citizen of Germany who experienced the recent catastrophic floods and a citizen of Haiti still reeling from the devastating earthquake in August. Both situations highlight a shared experience of a catastrophe in material terms and loss of life. And yet in the same way as Covid-19, they demonstrate the tremendous inequality in national and global crisis-response systems.

As [Minouche Shafik](#) wrote in her recent book, the international institutions that mediate our social contract have not caught up:

*The pandemic served as a great revealer, as it hit the most vulnerable...the hardest, and exacerbated existing inequalities.*

*...The good news, however, is that a new social contract is possible that can satisfy people's need for security and opportunity while also addressing the challenges that affect society as a whole. This new social contract depends on three pillars: security, shared risk and opportunity.*



<sup>1</sup> [Intergovernmental Panel on Climate Change: 6<sup>th</sup> Assessment Report](#)

## Now is the time for a new social contract to be written between nations

What is needed is a social contract providing financial support which will not require revision with every new disaster. The contract should be based on a clear-eyed assessment of risk and impact, and on an understanding of the interconnectivity and shared vulnerability across borders. It needs to be a contract premised on mutual respect, dignity and cooperation that comprises more efficient and just protection systems. A social contract where pre-agreed finance is the default for funding disaster relief.

The international community has a responsibility to create a framework fit for the challenges of the twenty-first century. And there are examples we can learn from in order to achieve this. Crisis finance packages are particularly valuable for predictable needs and modellable risks since they have the potential to provide faster, cheaper, more dignified protection, and support a culture where risks are managed rather than being treated like surprises.

## The role of insurance and how it should matter

Insurance – and premium support for insurance – constitutes an important part of the architecture required to deliver a society that includes everyone, and has open and transparent processes around how aid is organized, allocated and paid for. The time for tentative pilots and tinkering around the edges by donors is over. Society and the age we are living in demand better and more sustainable protection systems.

The essential shift in mindset will require donors to promote better technical solutions built on a foundation of pre-agreed finance and application of these solutions to increase the impact of their aid spend.

We are at a crossroads where comprehensive reform of crisis financing is possible and indeed essential, and the tools exist to drive this change forward. There is an imperative for bold leadership to overcome the political pressures that lead to reactive and inadequate international aid responses and the lingering reluctance to undertake reform.

Achieving a new crisis financing system that effectively harnesses insurance and associated risk management principles also needs to reflect some critical design elements:

- Inclusive governance – Aid is more efficient and effective when the right questions are asked and all the solutions are made available. This only happens when everyone has a seat around the table – and this is not the case at the moment. Funds for crisis response, including the provision of premium subsidy, must be set up with a full complement of expertise within the governance structure where local actors are engaged at every stage and the private sector is part of the process.
- Inclusive eligibility – Now is the time for disruptive innovation and demonstration of what is possible. Financing must be accessible in every context for a broad range of actors who are willing to deliver impact and be a positive force for change. Particularly at local level, giving a broader community of actors access to financing will contribute to driving more locally-owned solutions, offering the greatest hope of strengthening national response mechanisms.
- Transparency – Donors and governments must be prepared to be open about the projects they fund, including those financed through premium subsidies, and the impact of those projects. Right now, most decisions are made behind closed doors. Designing more effective crisis response systems can't be done in secret. This requires people from around the world to be involved in the conversation.
- Value for money – Donors are often tempted to provide finance to insurance companies so as to increase their capital base, rather than providing premium subsidies – even when like-for-like premium subsidies would deliver higher benefits. All too often, this is a supply-side fix to a demand-side problem, akin to donors trying to improve dental hygiene by building new toothpaste factories in a country with enough production facilities but where people aren't actually able to afford to buy the toothpaste. Capital support should only be provided in cases where it can reasonably be expected to generate greater benefits to people at risk of crisis than premium support.

## New coalitions for a new social contract

Driving change is undoubtedly a challenge when it has to be carried out across a fragmented network of legacy architecture comprising a diverse collection of autonomous actors. The InsuResilience Global Partnership – representing voices from government, multilateral institutions, civil society, the private sector and academia – gives wide-ranging support to this new approach, as do other complementary initiatives like the [Insurance Development Forum](#) and the Crisis Lookout Coalition<sup>2</sup>. The InsuResilience Global Partnership's support includes leadership on premium and capital support in the form of SMART Principles that encompass some of the critical elements outlined above.

During Covid-19, we saw that countries can quickly organize themselves and address major risks with remarkable flexibility. We are also familiar with our failures and their catastrophic consequences. Our experiences here should be used to shape better systems.

By 2030, prearranged funding must be the primary approach adopted by the international community to pay for crises. This will reduce the cost of disasters by delivering lifesaving support at the onset of a crisis, while improving community preparation and resilience efforts.

*In crisis situations, insurance and associated premium support is a key part of this shift and it must be implemented in full view. The solutions need to inspire, shape and deliver on a better social contract. They need to assist in creating a better world where crises are paid for with money and not with lives.*

There is an opportunity ahead of us to make enormous global progress – to create a more equitable, sustainable and secure future – and we can start right now.

<sup>2</sup> The Crisis Lookout coalition is a group of local-global experts and organisations who are calling for high ambition G7 action to create a smarter system for funding disasters that protects more people caught up in crisis, especially in the poorest countries. The joint statement of support is available [here](#).



THE AFRICAN RISK CAPACITY (ARC) EMPOWERS ITS MEMBER STATES TO BUILD DISASTER RESILIENCE THROUGH A COMPREHENSIVE RISK MANAGEMENT APPROACH. MOBILISING MULTI-YEAR PREMIUM SUPPORT IN COOPERATION WITH DONORS IS A PRIORITY FOR ARC TO INCREASE COUNTRY PARTICIPATION IN RISK POOLS.

# Disaster Risk Management in Africa: The Role of Premium Support

BY UNITED NATIONS ASSISTANT SECRETARY-GENERAL IBRAHIMA CHEIKH DIONG, DIRECTOR-GENERAL, ARC GROUP AND LESLEY NDLOVU, CEO, ARC LIMITED

**L**owering the cost of insurance through financial support for premium payments enables hard-hit economies to protect themselves against disaster risks. Premium support empowers a proactive approach to Disaster Risk Management and Financing (DRMF) as part of building Africa's resilience against extreme weather events. Regardless of fiscal differences, no country is immune to the threats posed by natural disasters. Hence, there is a need to explore solutions beyond capacity building and risk financing to include financial aid to countries wherever it is needed.

While Africa has been on a growth trajectory for some time and is becoming a notable player in the global economy, the reality of climate change poses a significant threat. The continent is prone to periods of drought, tropical cyclones, floods, outbreaks of deadly diseases and locust infestations. These are all progressively increasing in frequency and severity. The World Bank has stated that the situation in Africa demands attention after more than 1,000 weather-related disasters have hit the continent over four decades and caused USD 18 billion in damage over the last three decades. Droughts present the greatest risk since they account for 80% of loss of life and 70% of economic losses arising from



disasters. Exposure to the risk of flooding is also increasing, as a result of some urban areas being located in low-lying river deltas or coastal regions. This trend is compounded by rapid urbanization. On the other hand, the cumulative occurrence of multiple, complex transborder public health emergencies over the past 20 years has been alarming, with disease outbreaks challenging governments even further.

## Africa's response

In response to these growing threats, the [African Risk Capacity](#) (ARC) was founded as a Specialized Agency of the African Union in 2012. The agency has a mandate to enable African governments to improve their capacities to plan, prepare for and respond to extreme weather events and disease outbreaks, and to promote food security. ARC Ltd is the commercial affiliate founded in 2014 to provide risk financing and insurance services. Functioning as one Group, they provide demand-driven solutions in DRMF, encouraging a proactive approach and providing a vital contribution towards a more disaster-resilient Africa while safeguarding development gains.

ARC has [35 Member States](#) (signatories to the ARC Establishment Treaty) and Table 1 highlights their exposure to common perils found on the continent. ARC and its development partners recognize the importance of a multifaceted and comprehensive approach to DRMF which includes financial solutions that will incentivize sovereigns to take up parametric insurance.

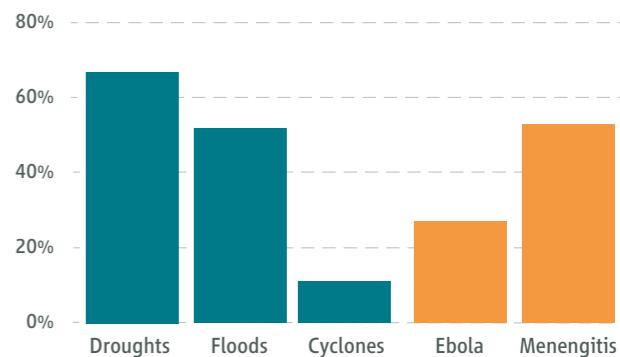
ARC brings together the four critical elements of early warning, contingency planning, risk financing and climate adaptation crucial in disaster risk management. This is a compelling value proposition that sees the organization working closely with Member States, empowering them with the necessary tools and knowledge to build in-country resilience and promoting country ownership of the disaster response process. The ARC insurance pools represent part of a comprehensive social and financial protection strategy which complements all other DRMF efforts. By participating in ARC risk pools, Member States have access to rapid liquidity in the immediate aftermath of a severe insured disaster.

Product	Product description	Status of product
Drought product	ARC's flagship product covers against the risk of droughts	Offered since 2014
Tropical cyclone	Caters for countries in the South Western Indian Ocean threatened by tropical cyclones	Launched in 2020
Outbreaks & Epidemics	Initial development covers the Ebola Virus, Marburg Virus, Lassa Virus and Meningococcal Meningitis	Launch expected by Dec 2021
Flood product	Covers the risk of flooding	Launch expected by Dec 2022
Extreme Climate Facility	Provides adaptation funding for extreme climatic variations	Date not set yet
Meso- and micro-level insurance packages	Serve smallholder farmers affected by drought	Date not set yet

Table 1

## EXPOSURE OF ARC MEMBER STATES TO DISASTER THREATS

Proportion of ARC Member States exposed to droughts, floods, cyclones and to disease outbreaks



The ARC cost-benefit analysis has shown that as a result of improved response times and risk pooling, every USD 1 spent on drought response through ARC saves about USD 1.9 in traditional humanitarian assistance costs. The overall saving is USD 3.5 taking account of benefits from early action over the long term. Since the ARC Group was established, it has provided USD 720 million of insurance coverage as the maximum amount that would be paid out for a covered loss. This protected 72 million African people with actual payouts amounting to about USD 65 million to facilitate post-disaster response in affected communities.



*Every USD 1 spent on drought response through ARC saves about USD 1.9 in traditional humanitarian assistance costs.*

## The value of premium support

Based on their experiences with the ARC risk pool, Member States appreciate the value of parametric insurance.

## *Member States have also shown willingness to pay their own premiums in spite of fiscal constraints.*

However, the success of sovereign risk pools also relies heavily on significant financial support to sovereigns in the first few years as evidenced by other regional insurance pools. Given the fiscal challenges confronting most African countries, premium support can improve countries' ability to access and obtain optimum coverage by means of the climate and disaster risk insurance solutions provided by the ARC Group, through its commercial affiliate ARC Ltd.

In the short to medium term, African countries are likely to continue facing dire fiscal constraints. As governments grapple with recovery from the current Covid-19 crisis, many African economies and millions of people will remain unprotected in the face of continued and rising food insecurity and economic losses, unless there is a sustained increase in the number of countries taking out policies. The concept of premium support is therefore a critical issue and remains a priority in driving forward increased country participation in risk pools. This will alleviate some of the financial pressures that ARC Member States face in trying to balance competing priorities. As well as being transparent and consistent, smart premium support is intended to offer value for money, help build national disaster risk management systems and exert a sustainable impact on affected populations.

## *As such, resource mobilization to unlock the necessary funding for premium support is a key focus for the ARC Group.*

The organization has been promoting multi-year premium support from donor partners on behalf of Member States. Building a premium financing ecosystem in Africa is vitally important, while also encouraging countries to work towards being self-funding so as to establish a culture of insurance on the continent. As countries build their DRMF strategies and institutionalize the use of selected mechanisms (including sovereign insurance) over the medium term, this will make the pool more sustainable in three ways: i) promote ownership of the disaster response process, ii) pool diversification to lower the overall premium costs and iii) alleviate pressure on traditional humanitarian response mechanisms. A multi-year premium support strategy will set clear eligibility criteria for access by Member States to premium support and a sustainability mechanism whereby beneficiary Member States contribute a gradually increasing share of the premium over time.

The ARC Group works with its partners to improve availability and access to innovative solutions for financing disasters and to give countries the opportunity of participating in ARC's insurance risk pools (see Premium Support Facility, Replica Programme, ADRiFi). Owing to limited resources challenging the implementation of essential resilience building practices, developing countries are likely to experience the impact of global warming to a greater extent. As we brace for more extreme weather events and their devastating impacts, there is a need for a concerted effort from multiple partners working with governments to facilitate adaptation and overcome this global challenge.

### ARC PREMIUM SUPPORT FACILITY

ARC is intensifying efforts to mobilize resources and provide a channel for participation by both traditional and non-traditional (philanthropic foundations, private sector, etc.) partners in giving African countries access to sovereign disaster risk insurance. This support will be delivered in a coordinated and comprehensive approach, alongside current premium support efforts. The aim is to ensure a sustainable mechanism with a clear path to self-funding for all premium support recipient countries. Transparency, accountability and impact will remain the core principles of this facility which is intended to introduce the concept of insurance to new countries and encourage continued participation in risk pools by existing ones.

### ● ARC REPLICA PROGRAMME

Humanitarian actors are the Replica Partners (World Food Programme and Start Network) that have an opportunity to take out insurance coverage on behalf of a country by purchasing a 'Replica Policy'. The role of Replica Partners is therefore to provide a window through which partners i) match the country's insurance cover and take on a greater percentage of the country's transferable risk and/or ii) take out insurance cover independent of the government's preferred DRMF option. Financial support is provided by Germany's KfW Development Bank and USAID. Since programme inception in 2018, six African countries have benefited.

### ● AFRICA DISASTER RISK FINANCING PROGRAMME (ADRIFI)

ARC and the African Development Bank (AfDB) developed ADRIFI to incentivize Member States to take up insurance. It provides a framework for delivering coordinated support to African countries to develop capacity in DRFM through: i) the development of disaster risk financing strategies ii) risk modelling and contingency planning and iii) providing premium support. Country participation is funded through the country's AfDB African Development Fund (ADF) grant allocation and/or the newly established ADRIFI Multi-Donor Trust Fund (MDTF). In 2019, ADRIFI was piloted in The Gambia and enabled the country to remain in the risk pool for the 2019/2020 farming season and deliver much-needed insurance coverage to vulnerable communities. Otherwise, budgetary constraints would have led to Gambia's non-participation in the risk pool. Under the ADRIFI financing arrangement, the country mobilizes 50% of its premium over four years while the programme provides the remaining 50%. In 2021, work commenced on developing Gambia's Disaster Risk Finance (DRF) strategy, a key document that will provide the country with a clear understanding of its risk profile and suitable DRF instruments. The Gambia's premium support, coupled with ARC capacity building, has seen an acceleration in the process of institutionalizing DRF within the country. Across ministries such as Finance, Agriculture and Environment there is an appreciation of parametric insurance as a viable financing tool providing liquidity for early response in the event of disaster.



# Latest InsuResilience Case Studies and Update on the Sustainable Insurance Facility

## DISCOVER THE LATEST INNOVATIONS AND APPROACHES IMPLEMENTED BY THE MEMBERS OF THE INSURESILIENCE GLOBAL PARTNERSHIP

### MAKING ACCESS TO INSURANCE HAPPEN FOR PEOPLE WITH DISABILITIES AND SMALL AND MICRO-ENTREPRENEURS – THE CASE OF EL SALVADOR

Most farmers and micro entrepreneurs in El Salvador are exposed to various economic and weather-related shocks threatening their livelihoods and food security. However, they lack adequate and affordable insurance to protect their productive activities. The World Food Programme (WFP) El Salvador is collaborating with local partners to bridge these gaps by piloting an innovative insurance solution that protects farmers, micro-entrepreneurs and small businesses against business interruption due to excess rainfall, drought and earthquake. In 2021, nearly 4,800 people benefited from insurance, including 47% of businesses being led by women. [Full case study](#)



### REPUBLIC OF THE PHILIPPINES: DISASTER RESILIENCE IMPROVEMENT PROGRAM – CITY-LEVEL PARAMETRIC DISASTER INSURANCE SCHEME

The Philippines is highly exposed to climate and disaster risk. The impact of disasters is often most devastating in cities since people and economic activities are concentrated here. While city authorities are at the forefront of disaster risk management, they often face funding shortages due to restricted financial flows or lack of budgetary allocation. The Asian Development Bank is supporting the introduction of a city-level disaster insurance scheme to increase the ability of city governments to respond quickly and effectively to disasters, through funding support from the Asia-Pacific Climate Finance Fund (ACLiFF). [Full case study](#)



### PURSUING BETTER WEATHER PROTECTION FOR TANZANIAN FARMERS GLOBAL PARAMETRICS AND ONE ACRE FUND TEST A NEW APPROACH

Farmers in Tanzania struggle with rising climate risks. One Acre Fund (OAF), a non-profit social enterprise, has partnered with Global Parametrics (GP), a specialist provider of climate risk protection, to offer innovative protection for farmers. They have pioneered the use of GP's new Water Balance Index to protect OAF's network of 70,000 smallholder farmers in Tanzania against drought and excess rainfall. This weather index solution facilitates a rapid financial response at affordable rates to promote resilience among farmers. [Full case study](#)



### THE V20-LED SUSTAINABLE INSURANCE FACILITY

The V20-led Sustainable Insurance Facility (SIF) is a Project Pipeline Development Facility which seeks to enhance the availability of climate-smart insurance products for micro, small and medium-sized enterprises (MSMEs) in V20 economies. In close collaboration with the respective V20 Finance Ministries, the SIF scopes MSMEs' financial protection needs in the context of climate change and develops concepts and proposals for submission to risk-financing vehicles. As such, the Facility mobilizes financial and technical assistance with the aim of stimulating climate-smart insurance offerings from domestic and regional insurers. The SIF is supported by Germany and is operationalized through the SIF Project

Office hosted in the UN Environment Programme's Principles for Sustainable Insurance (PSI). The first SIF implementation project is currently underway in the Philippines in collaboration with one of the SIF's key partners, the ACLiFF of the Asian Development Bank. Going forward, the V20 plan to fully launch SIF operations in Asia and the Pacific by the end of 2021. Furthermore, they intend to bring the SIF to V20 members from Africa, the Middle East, Latin America and the Caribbean from 2022 onwards.

For more information about the SIF, please see [HERE](#)

## Updates from Members & InsuResilience Activities

### Rwandan agriculture insurance:

#### The case for public-private partnerships

A key driver of agricultural transformation in Rwanda is the increasing access of smallholder farmers to financial services. Launched in 2019, the National Agricultural Insurance Scheme (NAIS) comprises both livestock and crop insurance and supports a range of policy objectives extending from improved agricultural productivity to reduced expenditure on social protection. Designed as a public-private partnership, the NAIS has stimulated an ongoing learning process by the government and private-sector stakeholders involved.

[Read more](#)

### Gender-smart approaches to Climate and Disaster Risk Finance and Insurance

The InsuResilience Centre of Excellence (CoE) on Gender-smart Solutions aims to play a key role in identifying gender-equitable disaster risk management strategies and support the design, promotion and integration of gender-responsive and sensitive approaches to Climate and Disaster Risk Finance and Insurance (CDRFI) solutions. It has potential to scale up and fill the information gaps and support the implementation of gender-informed approaches, which stand in the way of realizing potential sector-wide transformation of CDRFI.

[Read more](#)

### A guide to integrating gender dimensions into Climate and Disaster Risk Finance and Insurance programmes: Monitoring & Evaluation

The latest publication from the InsuResilience Centre of Excellence provides practical step-by-step guidance on how to achieve a gender-smart CDRFI programme through effective planning for monitoring and evaluation throughout each stage of the programme cycle (design, implementation and impact stages). It also provides advice on the collection and use of sex-disaggregated data and features best practices from within and beyond the InsuResilience Global Partnership.

[Read more](#)

### UN Food Systems Summit:

#### Climate and Disaster Risk Finance Solutions for the resilience of food systems

Climate and disaster risks pose a significant threat to the resilience of our food systems, which are currently falling short in meeting global needs. CDRFI solutions, when promoted as part of a comprehensive risk management framework, are an important pillar in strengthening the resilience of food systems.

[Read more](#)

### WFP Madagascar: Support for an integrated and inclusive social protection system

The index-based insurance programme ARON'NY FAMBOLENA VOATSE, launched by the World Food Programme in 2020, protects smallholder farmers in the South of Madagascar from the effects of droughts and insect pests. Following severe drought conditions in the 2020/21 agricultural season, the index triggered USD 350,000 in insurance payouts to all insured farmers, with households now receiving compensation for crop losses incurred during the long rain season.

[Read more](#)

### InsuResilience Solutions Fund grant agreement: Crop insurance programme for smallholder farmers in Kenya

Kenya's smallholder farmers are particularly exposed to the impacts of droughts, given that less than 1% are currently protected by some form of insurance. The InsuResilience Solutions Fund has signed a grant agreement to support the development of an insurance scheme using innovative technologies to reduce costs and make the insurance more accessible to smallholder farmers.

[Read more](#)

### From innovation to learning:

#### Launch of the InsuResilience Evidence Roadmap

The remarkable progress in the field of CDRFI innovations over recent decades has rarely been accompanied by investments in evidence generation and use. The InsuResilience Evidence Roadmap aims to move the focus of the CDRFI community from innovation to learning by highlighting evidence priorities and driving joint research action.

[Read more](#)

### Entry points for Climate and Disaster Risk Finance and Insurance in National Adaptation Plans

CDRFI solutions can play an essential role in climate change adaptation, enabling governments, businesses and individuals to adequately plan for and react to climate-induced extremes and disasters. A new analysis examines entry points for CDRFI in National Adaptation Plans.

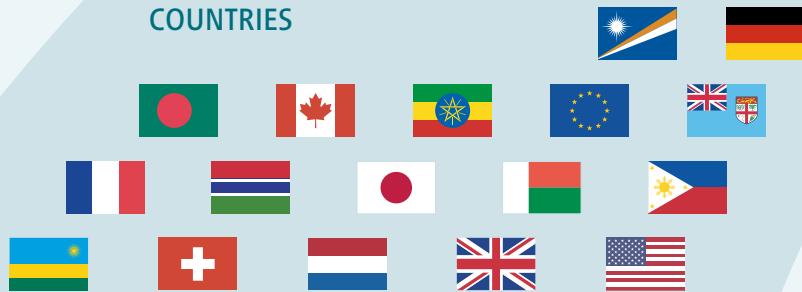
[Read more](#)

### Let's talk about risk!

RISK TALK is the knowledge-sharing platform of choice for the climate and disaster risk management community. Our mission is to bridge knowledge gaps within this community through an interactive platform enabling faster and better information exchange.

[Read more](#)

## COUNTRIES



## CIVIL SOCIETY ORGANIZATIONS



## Atlantic Council

Adrienne Arsht-Rockefeller Foundation Resilience Center



## PRIVATE SECTOR



## RESULTS



## ACADEMIA AND THINK TANKS



## IMPLEMENTING PARTNERS AND PROGRAMMES



## INITIATIVES AND NETWORKS

