CONSULTATION DRAFT

Concept Note - Shaping the InsuResilience Global Partnership
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Remark:
This is a consultation draft for the InsuResilience Global Partnership. The purpose of this
draft is to set out the proposed vision and objectives of the Partnership and to seek inputs
on its scope of work and implementation arrangements.
Some initial questions for consultation are below, and feedback is welcome on any aspect of
the document:
1. Who should take part in the Partnership?
2. What would you like to see from the Partnership for your country/organization, in terms
   of activities, services and outcomes?
3. What would you see as the key value added of the Partnership for your organiza-
   tion/country?
4. What should the Partnership seek to achieve in its first year, and thereafter?
5. In what format (e.g. charter, principles) should the vision, objectives and engagement
   principles of the partnership be articulated?
6. What are the key challenges the Partnership should work on?
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 now average over US$300 billion a year, with vulnerable countries, and particularly their poorest communities, experiencing an increasing burden from adverse impacts to household incomes and government balance sheets. The related risks for lives and livelihoods further increase the challenge, particularly for the poor and vulnerable.

The central objective of the Partnership is to enable more timely and reliable post-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 and improve risk prevention measures.

The role of the Partnership in this context 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 more proactive risk managers through building capability and increasing access to knowledge and expertise, services, products and financing.
- 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.

The development of the Partnership was recommended in the World Bank report on Sovereign Climate and Disaster Risk Pooling 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. The V20 and repre-

3 V20 Ministerial Communiqué, 23 April 2017
sentatives of the G20 highlighted jointly the need for establishing strong insurance mechanisms, including through collaboration with Insuresilience, in strengthening risk pooling, and leveraging private investment for developing countries.4

Box 1:

“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 the efforts of the G7 InsuResilience initiative on climate risk insurance, which was launched at the Elmau summit in 2015. While the Partnership opens up to a wider set of actors and tackles a wider spectrum of challenges, 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).”

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.

4 V20 Chair’s Summary, V20 Dialogue with High level G20 representatives, 23 April 2017
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. 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”. International assistance absorbs, on average, only 8% of the loss. The financial impacts of disasters are absorbed by people, businesses and governments, diverting public funds, slowing investments and growth and forcing people into poverty. This has long-run 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.

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 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 for and recovery financing of climate and disaster shocks. The process of design and implementation of financing and insurance strategies can encourage countries to better understand, own and manage the risks they face. Disaster risk finance solutions, including climate risk insurance, have proven to be effective instruments to provide faster, more cost-effective and more reliable response after a disaster strikes. They can effectively strengthen preparedness and financial planning for disasters when combined into a comprehensive approach to financial risk management (Figure 1). The potential is clear, but there is more to do and the Partnership will be an important part of this. The Partnership will invest in evidence, learning, innovation and capacity building, and work towards increased financial protection that is embedded into disaster response and recovery planning and in-country systems to address climate and disaster shocks.

Delivery mechanisms to reach the poor and vulnerable are critical for faster, cost-effective and more reliable response. This ensures that assistance reaches those that need help when

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they need it most. The best systems link payouts to pre-agreed contingency plans, using existing systems that can scale up quickly, such as shock-responsive social protection.

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

<table>
<thead>
<tr>
<th>Coordinated plan for post-disaster action agreed in advance</th>
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</thead>
<tbody>
<tr>
<td>▪ A single, credible disaster response plan</td>
</tr>
<tr>
<td>▪ Defines explicit responsibilities and liabilities of all stakeholders (who or what will be protected, against what, and who will pay for what)</td>
</tr>
<tr>
<td>▪ Establishes clear decision process</td>
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<tr>
<td>▪ Clarifies what risks the national/local government will take on, and what risks have to be shared with households and firms, as well as the role of international partners</td>
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<tr>
<th>Fast, evidence-based decision-making process</th>
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<tr>
<td>▪ Identify ahead of time objective and transparent rules to guide decision making</td>
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<tr>
<td>▪ Requires investing in early warning systems and better data/information (ground data on damage to or losses of people and buildings, area average index data on damage and losses, parametric indices), including the human and technological capacity to collect data in a timely manner</td>
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<tr>
<td>▪ Define rules and triggers that result in pre-agreed interventions to promote decisive, timely action</td>
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<th>Pre-planned financing to ensure that the plan can be implemented</th>
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<tr>
<td>▪ Financial planning ensures that funds are available quickly when—and only when—they are required by the plan</td>
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<tr>
<td>▪ It binds partners to pre-agreed objectives, decision processes, and implementation modalities</td>
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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 achieve this by providing a platform between countries, international organizations, private sector, academia and civil society for coordination, learning and delivery of climate and disaster risk finance and insurance. It will engage key stakeholder groups and initiatives, including the Global Facility for Disaster Reduction and Recovery (GFDRR), Insurance Development Forum (IDF) and its Working Groups, and 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).

The Partnership will develop an open and inclusive multi-stakeholder community of countries, experts and practitioners working on financial protection at the political, operational and strategic level covering 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, but 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 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).

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:

- Share experiences and challenges around legal, institutional and operational design and implementation of financial protection solutions, identify needs and areas for assistance;
- 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;
- Influence a global community of development partners and practitioners.

**International Development Partners** can:

- Contribute to pooled financing to support financial resilience (e.g., capacity building, or financing of risk-sharing mechanisms);
- Contribute technical expertise and knowledge to the community;
- Meet strategic development priorities around protection of poor and vulnerable populations by leveraging and building on ongoing initiatives of mutual interest;
- Better understand the needs and demands of financial disaster risk solutions on the ground;
- Access a global network of specialists.

**Civil Society and NGO** representatives can:

- 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 a Nongovernmental Advisory Group providing guidance on direction, monitoring, and implementation for the Partnership;
- Participate in implementation of activities financed through the Partnership.

**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;
- Shape product innovation and support market development.
4. How to join – membership details

The Partnership is inclusive and open to stakeholders aligned to the vision 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:

(i) 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,
(ii) are a member of the G7 InsuResilience initiative, or
(iii) any other committed developing or developed country including V20 or G20 members.

Core members are expected to sign up to the vision and objectives of the Partnership. They can be invited to the High Level Consultative Group Meeting by the co-chairs (see below). Also 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 supports, contributes to and promotes the objectives of the initiative and shares its vision. They are engaged in at least one of the core topics of the initiative and actively participate in meetings and working groups. They use the Partnership for knowledge sharing and information exchange.

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 Nongovernmental Advisory Group will enable representatives of stakeholder groups to be actively involved in the InsuResilience Global Partnership Forum. A High Level Consultative Group ensures effective coordination and sharing of information.

The 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’s Forum encompasses different ways for exchange between partners, which can include an online platform, an annual conference, and at the request of members further targeted activities and workshops, e.g., linked to existing groups and bodies with for-
nal 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 themes that warrant more in-depth attention (for example, concessional insurance, monitoring, reporting & evaluation), drawing on the membership as well as individual experts. The Forum will build on and provide a platform for the expertise of current InsuResilience programs and climate and disaster risk finance and insurance solutions.

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

Two Co-chairs of the High Level Consultative Group will set the overall direction for the Partnership Forum, including to prepare the agenda and guide through the annual meeting, with the support of the InsuResilience Secretariat. The Co-chairs will be from one developed and one developing country and will be nominated by the G20 and the V20 respectively. A Non-governmental Advisory Group of representatives from civil society, private sector (e.g. Insurance Development Forum, International Association of Insurance Supervisors, Geneva Association), and academia (up to 12 members with 4 from each group representing developing and developed countries) will be established to give high-level recommendations and overall advice to the High Level Consultative Group. Selection of representatives by nomination with a one-year term.

The Partnership also works alongside a new alliance which 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 insurance. It will complement the efforts and build on the experience of existing programs, such as the regional risk pools ARC, CCRIF and PCRAFI.

A Coordination Group will ensure coherence and effective oversight of the InsuResilience Program Alliance, and interactions with the wider Partnership. The Coordination Group will be established with representatives from donors and implementing partners, which will regularly meet to discuss progress of the Program Alliance toward the vision and objectives of the InsuResilience Global Partnership.

A High Level Consultative Group will promote strategic alignment of the two arms of the Partnership and provide strategic guidance to the partnership. The High-Level Consultative Group will be steered by the two Co-chairs and bring together representatives from the Coordination Group and a representative from the Nongovernmental Advisory Group. Meetings could take place once per year or more often as required.

Acknowledgements and Contact:

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World Bank: Olivier Mahul, Benedikt Signer, Bianca Adam

The InsuResilience Global Partnership welcomes your participation. To get involved in the Global InsuResilience Partnership, please contact:

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