



InsuResilience

Climate risk insurance for poor and vulnerable people in developing countries

Background

Extreme weather events such as droughts and heavy rainfall, which are becoming more frequent and more extreme as a result of climate change, have a particularly severe impact on poor and vulnerable groups. Many people do not only lose all their assets but also their livelihoods because they lose their crops or their cattle. This can result in illness, malnutrition and forced migration. Between 1980 and 2012, emerging and developing economies sustained ten per cent of all damage from extreme weather events worldwide, but only one per cent of all *insured* damage. Every year, 26 million people fall into extreme poverty as a result of such weather events. While economic losses in high-income countries are considerably higher in absolute terms, they only account for 0.2 per cent of gross domestic product there. In low-income countries, such losses account for as much as five per cent of GDP. In Africa, Asia and Latin America, only 100 million poor people who are vulnerable to extreme weather events had insurance against climate risks in 2015.

Joining forces to close the coverage gap

In order to close this coverage gap, the G7 countries launched the InsuResilience initiative at their summit in Elmau in June 2015. Its purpose is to provide access to direct or indirect climate risk insurance to an additional 400 million poor and vulnerable people in developing countries by 2020.

At the Paris climate negotiations in December 2015 (COP 21), the G7 countries pledged a first round of support to the amount of 420 million US dollars for InsuResilience. The share committed by the German Federal Ministry for Economic Cooperation and Development (BMZ) is 150 million euros. At the Marrakech climate negotiations in November 2016 (COP 22), the EU and the Netherlands became new members of the initiative. The InsuResilience partners jointly brought their commitments to 550 million US dollars. The BMZ made a new commitment of 40 million euros.

InsuResilience – a multi-stakeholder partnership

InsuResilience works together with developing countries and partner organisations such as the World Bank, the Vulnerable Twenty Group (V20), the World Food Programme (WFP), the Asian Development Bank (ADB) and the Insurance Development Forum (IDF).

On certain issues, such as the question of how InsuResilience can best reach poor and vulnerable people, the initiative also works with partners from civil society and academia. Partners from the insurance industry, from development banks and from development agencies are contributing their expertise and their access to data, risk models and capital, thus helping to build technical capacity and to provide pro-poor insurance products in our partner countries.



Protecting lives and livelihoods

Insurance coverage for poor and vulnerable population groups in developing countries is the focus of the InsuResilience initiative. When a disaster strikes, these people lose a considerably higher share of their assets than wealthier persons. At the same time, they have fewer options for coping with such losses. This means that there is a high risk that an extreme weather event will push them further into poverty, leaving them unable to lift themselves out of poverty at a later point. Insurance against risks from extreme weather events helps to break this vicious circle, and it helps people to rebuild their lives more quickly after a disaster. An insurance payment can save farmers from the need to sell all their livestock, or it can enable them to replant their fields, thus saving livelihoods and assets and protecting development gains.

The target group for InsuResilience has been defined as follows:

Extreme poverty: people with an income of less than 1.9 US dollars per day (dollars based on purchasing power parity (PPP) calculations)

Moderate poverty: people with an income of 1.9 to 3.1 US dollars per day (dollars based on PPP calculations)

Vulnerability: people with an income of 3.1 to 15 US dollars per day (dollars based on PPP calculations)

Strategy and achievements of InsuResilience

Worldwide, InsuResilience supports climate risk insurance solutions, drawing on experience from Africa, Latin America, the Pacific region and the Caribbean. Since its start, InsuResilience has already achieved a great deal: based on the 550 million US dollars pledged, the initiative has been able to help expand existing insurance schemes and develop new schemes. InsuResilience supports both indirect insurance (with governments taking out insurance) and direct schemes for private individuals.

For example, InsuResilience supports the African Risk Capacity (ARC). This indirect insurance facility enables African countries to form a risk pool in order to protect themselves against the risk of drought. A special feature of ARC is that each government prepares a contingency plan in which it defines in advance how insurance payments are to be deployed in the event of

disaster. This makes it possible to provide assistance to survivors very quickly and in a targeted manner. In 2015, ARC made its first payments following a severe drought in the Sahel region. A total of 26 million US dollars went to Niger, Mauritania and Senegal. This enabled the countries to provide food aid for 1.3 million people, and 500,000 head of livestock were saved through assistance to buy feed.

InsuResilience also helped to expand the Caribbean Catastrophe Risk Insurance Facility (CCRIF). Most recently, more than 55 million US dollars was paid out to ten Caribbean countries following the devastation wreaked by Hurricanes Irma and Maria in September 2017. Since its establishment in 2007, CCRIF has thus already paid out more than 120 million US dollars in emergency funding.

The InsuResilience Solutions Fund (ISF) set up in 2017 helps to improve the availability of direct and indirect climate risk insurance in developing and emerging economies by providing financial support in order to transform insurance strategies into products that are ready for implementation, and to expand existing insurance programmes. Solutions are developed jointly with local and international insurance companies, governments, non-governmental organisations and stakeholders on the ground. This is giving more people access to coverage against increasing climate risks.

In Zambia, InsuResilience supports the NWK Agri-Services cotton company, which offers direct weather and life insurance to small contract farmers. In 2015, some 52,000 farmers decided to buy insurance. Following a major drought in 2016, more than 23,000 farmers received payments.

The InsuResilience Secretariat

The Secretariat helps to make the InsuResilience initiative a success by assisting with the development of demand-oriented, pro-poor insurance solutions. It is responsible for communications and public relations, fosters collaboration between political and civil society players, and keeps track of the progress made by the initiative. The Secretariat is operated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the BMZ.

Published by the	Federal Ministry for Economic Cooperation and Development (BMZ)	Addresses of the BMZ offices	BMZ Berlin Stresemannstraße 94 10963 Berlin Germany Phone: +49 (0)30 18 535-0
As at	October 2017		
Contact	secretariat@insuresilience.org www.insuresilience.org		BMZ Bonn Dahlmannstraße 4 53113 Bonn Germany Phone: +49 (0)228 99 535-0