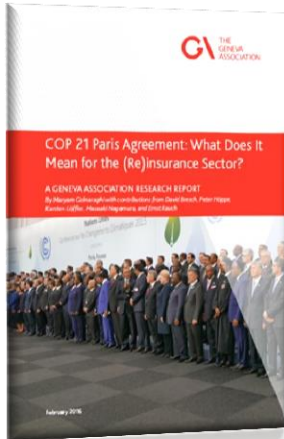


Leveraging Insurance for Sustainable Growth and Development

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Anna Maria D'Hulster
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COP 21, a great achievement with considerable implementation challenges...



- **Countries recognise** the importance of **insurance** as an **integral part** of national **climate risk management** strategies as well as its high potential for **building financial resilience**
- **Every country** will come with its **own plan** for **carbon emission reduction** and how it can achieve these goals. Each national plan will have two elements
 - a. Carbon pricing and carbon tax
 - b. How to regulate the carbon intensive sector(s)
- However, this will result in approx. **190 different national plans** and **190 different national policies**... potentially leading to numerous reporting requirements (approx. 70 already exist)
- This leads us to two challenges:
 - a. **How can the world coordinate** / standardize these different plans, policies and requirements?
 - b. Who will be **setting the standards**?

The fragmented policy and regulatory framework is a challenge for the insurance industry and its regulators.

Multisectoral cooperation in disaster and climate risk management gains momentum: 3 global UN Framework agreements in 2015



1



Disaster Risk Reduction

2



Climate Change

3



Sustainable Development & poverty reduction

2015

Sendai framework

The Sendai framework for Disaster Risk Reduction (2015-30)

- 4 priorities for action
- 7 measurable targets

COP21

Paris Agreement

SDG 2015-2030

United Nations Sustainable Development Goals 2015-2030

A pivotal year: 3 international framework agreements converge to promote an integrated approach to disaster and climate risk management and the importance of insurance

Insurance is a major tool to build economic resilience across different economic sectors, levels of government and society



An integrated approach to be implemented by the different stakeholders

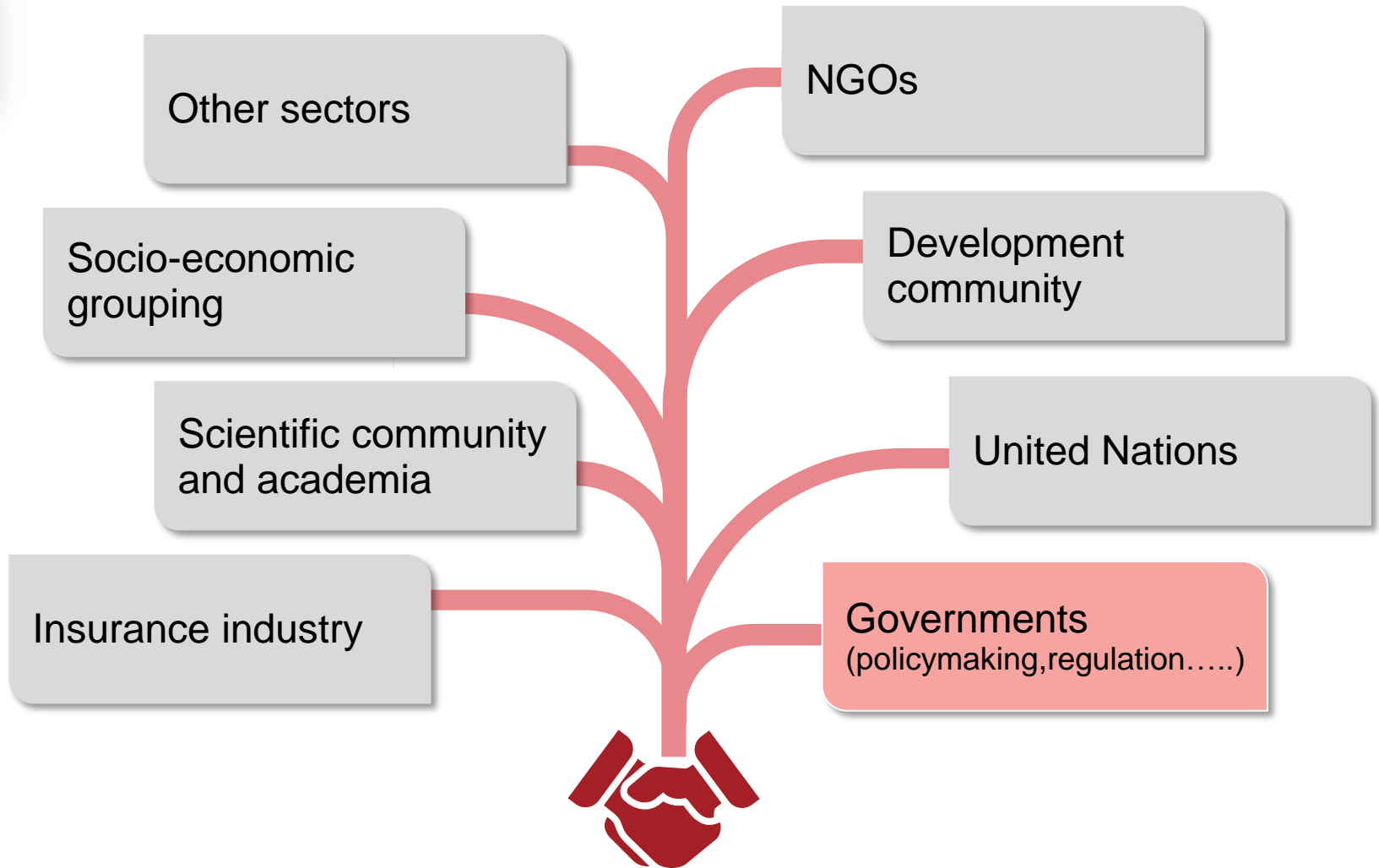
1 Risk Assessment

2 Risk Reduction

3 Financial Protection

4 Resilience Building

A complex stakeholder landscape makes a coordinated approach challenging...



Challenges and hurdles with expansion of insurance around the world



High-income countries also experience

- **Fluctuating capacity and appetite** in the market
- **Risk-pricing** difficulties
- Role of public policy and **political motivation**

Overall challenges

- Difficulties in risk assessment due to **lack of data**
- **Asymmetrical information** leading to adverse selection
- Limited take up of disaster insurance meaning a relatively **small pool of policy holders**
- **Moral hazard** unless insurance is incentivizing risk-reducing behavior



Mid- and low-income countries also have additional challenges

- **Lack of:**
 - Data
 - Risks modelling tools
 - Technical expertise
 - Scale
 - Developed domestic finance sector
 - Scale
- **Regulatory constraints**
- Need for **global (re)insurance capacity** and expertise
- **High distribution and claims settlement costs**, particularly in remote rural areas

Managing risks of disasters and climate requires an integrated approach



Role of government

Provide enabling environments

Including sound policies and regulatory frameworks

Layout institutional foundations

To enable better planning and budgeting across government layers

Address and facilitate systemic collection of reliable hazard and socio-economic data

Including loss and damage and hazard databases

Realise opportunities for risk reduction (preventative and preparedness measures) and risk transfer

Through public-private partnerships

Invest in educating and raising awareness

About risks and benefits of risk management including insurance



Role of insurance industry

Share risk knowledge and risk pricing expertise

Share research and knowledge in preventative measures

Innovation in risk transfer programs and products

To build financial protection for governments, businesses, communities, individuals (incentives to change behaviour)

Faster and more efficient claims settlements

Management and payouts

Support development of sound risk transfer programmes through

Public-private partnerships



Role for Regulators

Develop knowledge and understanding of key risk factors

Develop appropriate regulatory responses to emerging risks, taking into account:

- Climate Risk = long time horizon vs capital requirements set at a short term horizon ?
- - Disclosure requirements, long term stress testing important
- Incentivize both risk reduction and coverage

Recognise the need for consistent International regulation

Reduce barriers for cross border (re)insurance

Support the use of technology....



Three important platforms to support the promulgation of insurance in the interest of society



**United Nations
Environment
Programme
(UNEP)**

Supporting developing countries in implementing environmentally sound practices



**Insurance
Development
platform
(IDF)**

Industry led international (private & institutional) platform which will engage with international organisations. Focus on the realization of the G7 InsuResilience goal



**Asia Pacific
Financial
Forum
(APFF)**

Informal, inclusive and advisory public-private platform for collaboration in the development of common strategies for developing sound, efficient and integrated Asia-Pacific financial markets



Thank You

For further discussion or questions, please contact:

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