

# Leveraging Insurance for Resilient Infrastructure

ADB Virtual Dialogue on Resilient Infrastructure  
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# About the IDF

The IDF is a public/private partnership led by the insurance industry and supported by international organisations.

The IDF was first announced at the UNFCCC COP21 Paris Climate Summit in 2015, and officially launched by leaders of the United Nations, the World Bank and the insurance industry in 2016.

- **AIM:** To optimise and extend the use of insurance and its related risk management capabilities to build greater resilience and protection for people, communities, businesses, and public institutions that are vulnerable to disasters and their associated economic shocks.
- **5 Working Groups**
  - Risk Modelling
  - Law, Regulation & Resilience Policies
  - Sovereign & Humanitarian
  - Inclusive Insurance
  - Investment
- Over 200 experts and practitioners from industry, governments, international institutions, NGOs and academia

# The Insurance Protection Gap

**\$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](http://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](#)

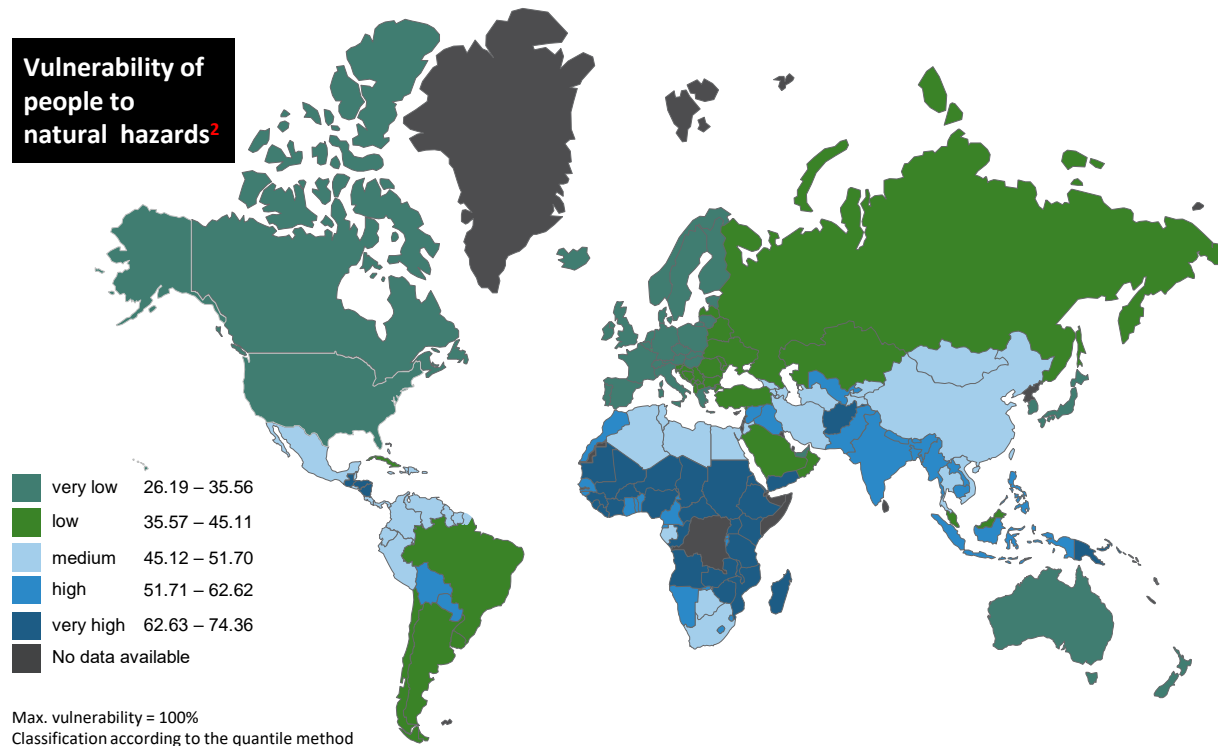


**PROTECTION GAP: ACROSS DEVELOPED AND DEVELOPING COUNTRIES**

**THOSE IN MOST NEED OF PROTECTION ARE OFTEN UNINSURED**



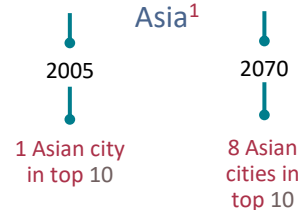
# THOSE IN MOST NEED OF PROTECTION ARE UNINSURED



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

2- World Risk Index (2017)

## Coastal flooding exposure in Asia<sup>1</sup>



## What is driving the exposure?



## Africa very vulnerable

13 of the 15 countries with the highest vulnerability ratings are in Africa.<sup>2</sup>



- **Infrastructure is an essential ingredient for the success of a modern economy that positively impacts output, productivity and long-term growth.**
- infrastructure forms a central component of the SDGs – underpinning sustainable development
- Investment in these critical public assets, usually a large and long-term commitment, is a major financial decision for governments and sub-sovereigns, especially in emerging countries where resources are scarcer, and development needs stronger.
- These investments therefore need to be protected by ensuring the assets are maintained and are resilient against a variety of risks.
- Disaster risk is one of the most important to protect against given the significant damage that can be caused to assets and the fact that disruptions to critical infrastructure can exacerbate a disaster's economic impacts;

- Large and very rapid volumes of financing are therefore needed which account for a major share of public expenditures.
- These costs are also the most difficult to control.

## Humanitarian Funding Gap (Global)

- 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

**When covid-19 hit, just 2% of global funding was planned and arranged in advance.**





# 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!



**VULNERABLE  
TWENTY  
GROUP**



**InsuResilience  
GlobalPartnership**



# Innovative services and products to help governments understand natural hazard risks and design systems to protect their citizens and infrastructure.





# Building Effective Risk Management & Protection Systems for the future

- Global challenge - Climate change
  - New risks + Complex / Inter-connected risks
  - Risk management in demand
  - Improving public financial management
  - Transition risks and opportunities
- Keeping pace with Innovation
  - Driving use of Risk information
  - Ensuring appropriate regulation development
  - New product development
  - Leveraging technology
- Fostering collaboration and coalitions
  - Drive greater scale through knowledge sharing
  - Improved systems
  - New structures
  - Focus on solutions
  - Public value

**Thank you**

[www.insdevforum.org](http://www.insdevforum.org)



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# Creating Public value: IDF Reports



IDF reports explore a number critical issues