Comprehensive Risk Management Approach

INTEGRATED RISK MANAGEMENT

Risk Informed Decisions

RISK QUANTIFICATION
Opensource stochastic multi-hazard probability modeling tools accessible for the public sector

RISK PROFILES
Analyze the socio-economic impact of disaster risk considering future exposure growth and climate change

COST–BENEFIT ANALYSIS
Identify economically most efficient priority measures and investments to manage disaster risks

Risk Adaptation Measures

DISASTER RISK REDUCTION
Proactive approach to encourage investments in developments that are sensitive to the risks

RECOVERY AND BUILD BACK BETTER
Incorporate current and future disaster and climate risk in planning, design, and implementation of recovery and reconstruction

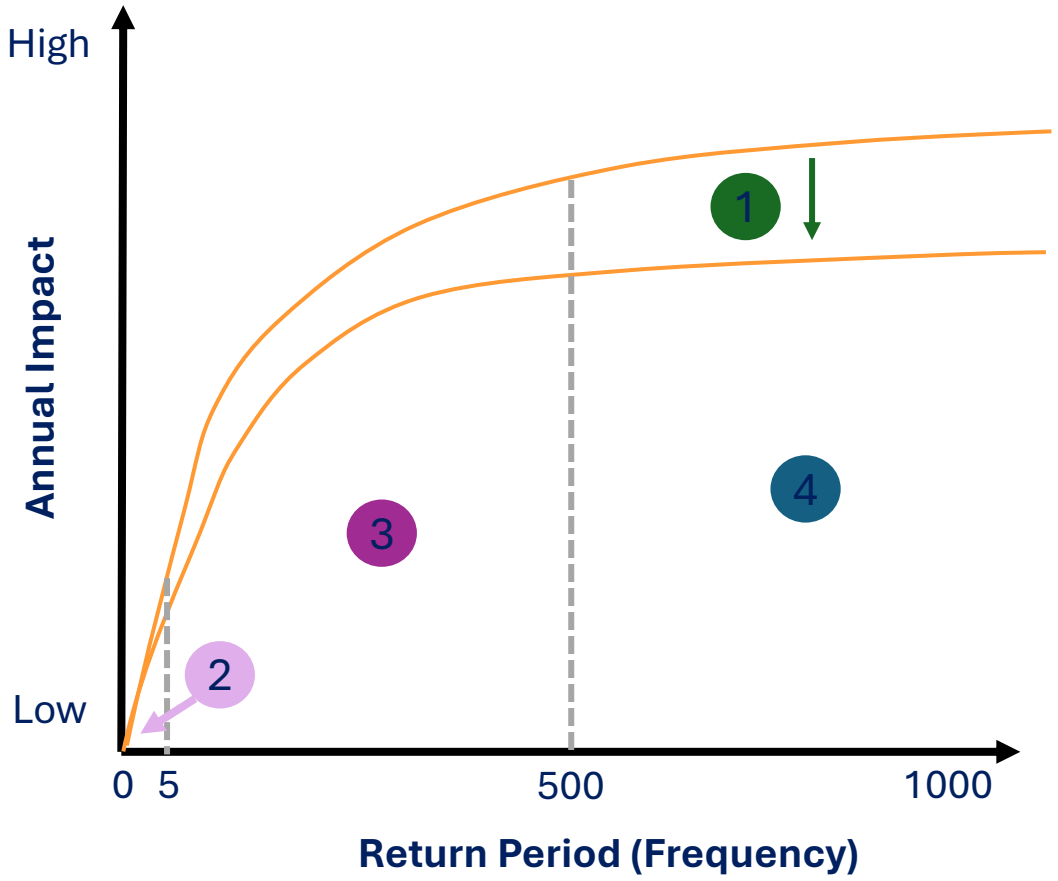
DISASTER RISK FINANCING
Quickly provide needed liquidity when disaster event strikes or predefined parametric thresholds are breached

Leveraging Research, Technology and Innovation
new data sources, improved data analysis, and more effective communication tools

Enhancement of the Enabling Environment
To successfully be able to implement disaster risk reduction and financing solutions

Risk Financing Principles

Comprehensive Risk Management including **Risk Reduction and Financing** can modify the risk profile



1 **Risk reduction**

2 **Risk retention**

3 **Risk transfer**

4 **Residual risk**

Key component of Risk

What are the risks you identified for the Maldives fishing sector ?

Illustration 1

An index cover to protect MPAs against cyclone risk

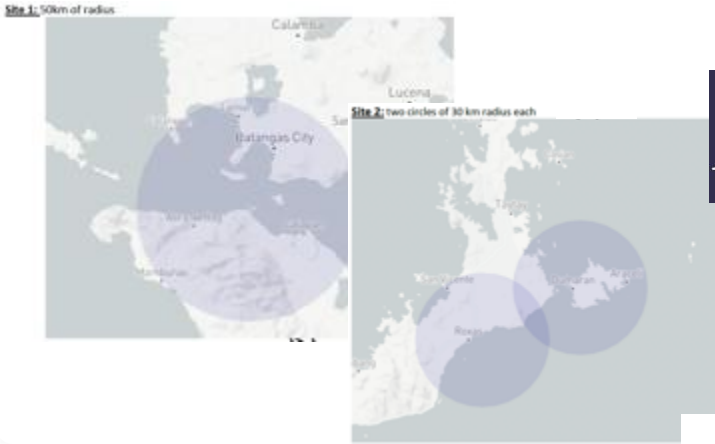
Blue Alliance is an NGO managing marine protecting areas with a business-oriented approach: the running costs to protect the ecosystems are financed by the sustainable blue economy. Most of the areas where the NGO is active are exposed cyclone risk, that can jeopardize the financial stability of the projects, throwing back in years the restoration and protection activities.

Expected benefits from the pay-out

- Ability to deploy fast restoration activities to limit the damages on mangroves, corals, other ecosystems.
- Continuity in paying salaries of the local communities employed by the MPA.
- Possibility to pay-back investors that lend money for deploying sustainable aquaculture.
- Deployment of a de-risking mechanism to increase investors trust and scale-up the financial facility in the future.

Insurance details

- AXA Climate = **de-risking partner** of Blue Alliance, **with insurance design, and physical risks screening**
- First policy : 2023 in the Philippines, was **renewed in 2024** with an enlarged perimeter (from 1 to 3 sites).
- Protect **both business interruption and damages** on site infrastructure with a “cat-in the box” design to fit the local costs (**Limit : 250K$ per site**).
- Insurance premium has been paid by the **Howden foundation** for the first two years.



Methodology

- Understanding of the project insurance needs and vulnerabilities
- Analysis of historical events
- Computation of different options of risk structure, submitted to the MPA’s manager.
- Deployment of an innovative legal set-up to allow scalability.

Illustration 2

=> Parametric Insurance for Small-Scale Fishers (NGO: Rare and WTW)

INSURANCE PURPOSE

- Cover **income losses from prolonged periods of adverse weather*** which prevent safe fishing => business interruption for fishermen.

SCHEME DESIGN

- The Government of the Philippines will be the policyholder and provide coverage to fishers as a benefit of vessel registration and a commitment to implement sustainable fishing practices.
- If insurance is triggered, payments is **sent directly to fishers.** The maximum anticipated pay-out will be up to **a month of lost wages** (USD$100).

ELIGIBILITY CRITERIA

- To enter the program, **Fishers must formally register** and **commit to sustainable fishing practices** to benefit from this insurance protection.

SCOPE

- The pilot aims to test the product with an **estimated 50,000 fishers** across **75-90 coastal** municipalities as proof of concept.

An example on how insurance can be used to incentive sustainable practices.

*3 weather parameters : wind speed, wave height, and rainfalls.