Insurance experience

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The role of insurance for WFP

WFP works with the **most vulnerable** communities to increase **climate resilience**

→ End hunger

In 2017, the world had **821 M hungry people**. A 2° temperature increase = potentially **189 M** more!

**Social protection** system is the main entry point, but

- Can SP efficiently protect most vulnerable rural households when a climate shock occurs?
- What is the role of private sector?

For WFP, insurance is a transfer modality that has 3 benefits:

1. **Protective**
   - rapid transfers
   - SDG2.1 Rapid response

2. **Promotion**
   - Incentive for better practices
   - SDG2.3 Stimulates agricultural productivity

3. **Transformative**
   - improves investment and Financial inclusion
   - SDG2.4 Builds resilient food systems
**Microinsurance in the R4 Approach**

R4 focussed on:
- Microinsurance. Not a standalone
- Insurance as a transfer mechanism
- Around 500,000 beneficiaries in 7 African countries. Rapid expansion ongoing

**Insurance in the ARC Replica Approach**

- **Index-based**
  - Rainfall, WRSI
  - Estimates number of vulnerable people affected by the drought
  - Estimates cost of response
  - Customization with TWG & ARC.

- **Operational Plan**
  - Early action triggered in case of a payment
  - Completed within 6 months after payout
  - Contributes to broader response plan

**Replica**:
- Uses the same index, same attachment point up to coverage of the government.
- Possibly subscribes even if government cannot.
- WFP provide technical support to governments.
- Response aligned with government’s response plan

Around 1 M beneficiaries in 4 African countries. Extension to a 5th this year.
Key challenges for micro & macro

Buy in, understanding and ownership by local stakeholders

Political context (sovereign insurance)

Expansion / scale up depends on donors’ & governments’ money

Efficient integration is very challenging, due to seasonality of all the activities.

Large scale operations need to be very precisely run.

Regulation gives a framework, but political support is even more important.

No payout means participants’ satisfaction is low. Building deep understanding of when insurance is efficient is crucial, but it takes years.
Useful lessons learnt

- Insurance: a shock responsive social protection tool
- Training is a long term investment
- R4 has proven efficiency regarding resilience building to climatic shocks