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## 15<sup>th</sup> Consultative Forum on Inclusive Insurance

“Climate and disaster risk: building resilience, bridging the protection gap”

7 May 2019, Panama City, Panama

W Panama, Calle 50 and Aquilino de la Guardia, Panama City, 80809 Panama

Hosted by the Superintendencia de Seguros y Reaseguros de Panamá

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# Access to responsible insurance key to build resilience

## Key messages from IAIS-A2ii-MiN Consultative Forum in Latin America

*Written by the Access to Insurance Initiative and the Microinsurance Network*

Extreme weather events are more frequent and severe. They are driving poverty and intensifying disaster risks for communities around the world. The World Bank estimates that climate change will push an additional 100 million people into poverty by 2030. Latin America and the Caribbean is a region specially exposed to natural disasters and climate risks. Specifically, South America suffered \$3.4 billion worth of damages due to natural disasters in 2017, of which only \$400 million was insured. Climate and disaster risk insurance is one piece of the puzzle to help people better deal with risk related to climate change and disasters, as outlined by **Denis Garand** at the [15<sup>th</sup> Consultative Forum](#), held in Panama City earlier this month.

Organised by the [International Association of Insurance Supervisors \(IAIS\)](#), the [Access to Insurance Initiative \(A2ii\)](#) and the [Microinsurance Network \(MiN\)](#), in partnership with the [Association of Insurance Supervisors of Latin America \(ASSAL\)](#) and the [InsuResilience Global Partnership](#) and hosted by the [Superintendencia de Seguros y Reaseguros de Panamá](#), the 15<sup>th</sup> Consultative Forum provided a platform for in-depth discussions on the role of insurance providers, policymakers, regulators and supervisors in reducing the protection gap in the face of climate risk. Around 70 participants from 19 countries, representing all stakeholder groups – including supervisors and policymakers, shared their views on how cooperation between them can facilitate innovative and suitable tools to build the resilience of the most vulnerable segments of the population against natural disasters.

Access to responsible and valuable insurance products to promote resilience remains low in the region. Designing and implementing tools to bridge the protection gap requires all stakeholders - supervisors, policymakers, the private sector, donors and consumers – to engage in a strong dialogue.

Supervisors for example can reduce disproportionate regulatory barriers and encourage new product developments that could help people to protect themselves against catastrophic events in a timely manner, as presented by **Dave Jones**, former Insurance Commissioner of California. In cases where the risk is too high for the private sector, governments may have to establish insurance programmes to fill the protection gap. Initiatives such as the Florida Citizen Insurance Corporation, created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, government entity, should however, be priced based on actual risk and should not seek to supplant the private market - rather provide premium subsidy to those who otherwise cannot afford protection, while encouraging them to undertake certain risk reduction measures.

An example of how governments can limit the financial impact of catastrophic hurricanes and earthquakes was presented by **Dario Luna**, Founding Partner at Akua Capital SC and providing disaster risk management advisory to the Caribbean Catastrophe Risk Insurance Facility (CCRIF), a segregated portfolio company developed under the technical leadership of the World Bank. The CCRIF provides short-term funding to 21 member governments of the Caribbean and Central America to support relief in the immediate aftermath of a natural disaster to rebuild critical infrastructure and sectors or provide humanitarian assistance. The pooling of risk across a wide geographical area helps in diversifying risks and accessing global reinsurance markets. Up to date the CCRIF has provided pay-outs of US\$ 138.8 million.

In Peru, a country where, following a recent World Bank Study, farmers perceive climate-related events as the single most important risk determining their incomes, La Positiva Seguros provides a range of insurance products against climate risk for crops. Two of these, unsubsidised, are sold through MFIs, banks or directly; another product, 100% subsidised, is sold by the government. **Lourdes del Carpio** highlighted that access to good quality data and official information is still a challenge for the insurer. In Bolivia, another country highly affected by climate change, PROFIN created an innovative initiative to enhance the resilience of smallholder farmers through crop and livestock risk transfer tools, including insurance. The lack of historical agricultural and climatological data was also mentioned as one of the key issues, posing challenges to the insurer in pricing and product design, as outlined by **Edwin Vargas**.

Speakers and participants of the 15<sup>th</sup> Consultative Forum came up with the **key message** that a comprehensive risk management strategy is needed to better deal with risk related to climate change and disasters. It must include measures for risk reduction, prevention and mitigation. Insurance is only one piece of the puzzle, but a fundamental one.

You can watch the 15th Consultative Forum in English or Spanish [here](#). Presentations can be found on our [website](#). The next Consultative Forum will take place in Johannesburg, South Africa on 12 and 13 June. For more information click [here](#).