

Formation of the Insurance Development Forum by the United Nations, the World Bank Group and the Insurance Industry

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Leaders of the United Nations, the World Bank Group and the insurance industry today announced the formation of the Insurance Development Forum (IDF) which occurred at a high level meeting in Washington, DC, last week. The IDF aims to: 1) incorporate insurance industry risk measurement know-how into existing governmental disaster risk reduction and resilience frameworks; and 2) to build out a more sustainable and resilient global insurance market in a world facing growing natural disaster and climate risk. This announcement followed a keynote address by the UN Secretary General Ban Ki-Moon at a planning conference last week with many CEOs of the industry which emphasized the critical role that the insurance industry can play in building natural disaster resilience and helping meet the UN's Sustainable Development Goals.

Today in the developing world, more than 90% of economic costs of natural disasters are uninsured; this is known as the Protection Gap. The IDF Mission is to better understand and utilize risk measurement tools that will help governments apply that knowledge at multiple levels in order to better deploy governmental resources targeting resilience to protect people and their property.

During its inaugural meeting, the IDF established four priority work streams:

1. Understanding Risk: the IDF will support a better understanding of hazards and the exposure and vulnerability of people and assets to those hazards. By quantifying the risks and anticipating the potential impacts of hazards, governments, communities and individuals can make informed decisions on resilience, insurance, investment and wider policies and interventions.
2. Risk and Insurance Regulation, Legislation and Policy: the IDF will promote (i) supportive and inclusive insurance regulation to increase access to insurance by the most vulnerable and (ii) integration of quantitative and standardized climate and natural hazard risk disclosure into mainstream financial and accounting systems and the appropriate adoption of resilience policies to protect lives, livelihoods and assets.
3. Risk Sharing, Transfer and Response: the IDF will fully support the delivery of the G7 InsuResilience Climate Risk Insurance Target and facilitate availability of climate and natural hazard risk sharing facilities in most regions. The IDF will identify and address challenges to wider insurance coverage (including sovereign, micro-insurance and conventional insurance facilities) and encourage insurance development metrics within updated official statistics and post 2015 indicators.
4. Risk and Resilience: the IDF will help build the capacity of developing and emerging countries to manage and implement sustainable financing and resilient investment from insurance and related sectors. It will support the creation of a Global Adaptation and Resilience Fund to invest in resilience related technologies, innovation and facilities.

The IDF acts as a Forum to enable the optimal coordination of insurance related activities; the development of shared priorities; the mobilization of collective resources; the development of strategic and operational relationships within and between governments, industry and international institutions; and, the avoidance of unhelpful and unnecessary fragmentation of efforts and resources. These collective actions can help close the Protection Gap. It will be led by a High Level Steering Group of senior leaders from the insurance industry and governmental institutions supported by an Executive Secretariat, housed at the International Insurance Society (IIS).

The IDF is chaired by:

Stephen Catlin, Executive Deputy Chairman, XL Catlin; Deputy Chair International Insurance Society and Chair of the Association of Bermuda Insurers and Reinsurers.

With co-chairs:

Joaquim Levy, Managing Director and World Bank Group Chief Financial Officer, and former Minister of Finance of Brazil.

Helen Clark, Administrator of the United Nations Development Program (UNDP), and former Prime Minister of New Zealand.

With regard to the launch the Chair and Co-Chairs provided these comments:

Insurance Industry Chair Catlin: “My grandchildren expect me to make responsible decisions that affect their future. Insurers’ risk management skills help us assess natural disaster risk and can be exported to allow governments at all levels to reduce future losses by designing in resilience into infrastructure projects; and in increasing the use of insurance as a pre-disaster economic resource to allow people to protect their families, property and assets. Risk identification, measurement, pooling and diversification are essential features of any successful insurance program and regulation must recognize their value and purpose. These skills can increase the utilization of insurance which will reduce the reliance on post-disaster aid and better target resources to the most important and needed humanitarian crises. Research has shown that a 1% increase in insurance penetration can reduce the disaster recovery burden on taxpayers by 22%. The IDF brings together the resources of the broader insurance industry reflected in the membership of the International Insurance Society, the Geneva Association, the International Cooperative and Mutual Insurance Federation and the Association of Bermuda Insurers and Reinsurers.”

World Bank Group MD and CFO Levy, noted in oral remarks: We have seen growing demand from our client countries for solutions to manage the costs from disasters effectively, and this is best done by specifically addressing the different layers of risk. However, the insurance market is close to non-existent in many countries. Consequently, the formation of the IDF is a pivotal moment, with all the actors in the insurance industry coming together and strengthening partnerships. It can play an important role in people’s lives, whether it is with micro insurance for natural disaster risk, protection against pandemics or protection of assets. We, at the World Bank Group, are focused on eradicating extreme poverty and boosting shared prosperity. With only about 17% of people in low and middle income countries with financial savings and insurance, compared to 45% in high income countries, it is the most vulnerable in our society who will benefit most from being insured.

UNDP Assistant Administrator Michael O’Neill (on behalf of Co-Chair Helen Clark, Administrator UNDP), highlighted the importance of public and private partners coming together, saying that “It [had] been a long time coming and that the insurance industry and the international community need each other. For the good of our planet, and especially for those countries and communities vulnerable to disasters. We at UNDP [Michael O’Neill continued] believe that the IDF has the potential to put vulnerable economies and societies on a path to green, risk-informed, and sustainable future. And in the process, to change the way we, in development agencies, and our partners in the private sector do business together.”

During the meeting the leadership announced the formation of seven working groups targeted to specific project goals. The working groups will report to the High Level Steering Group in September in the margins of the UN General Assembly.

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