Insurance and
Risk Finance
Facility

UNDP Insurance and Risk Finance Facility

Building Financial Resilience to Safeguard and Incentivize Development

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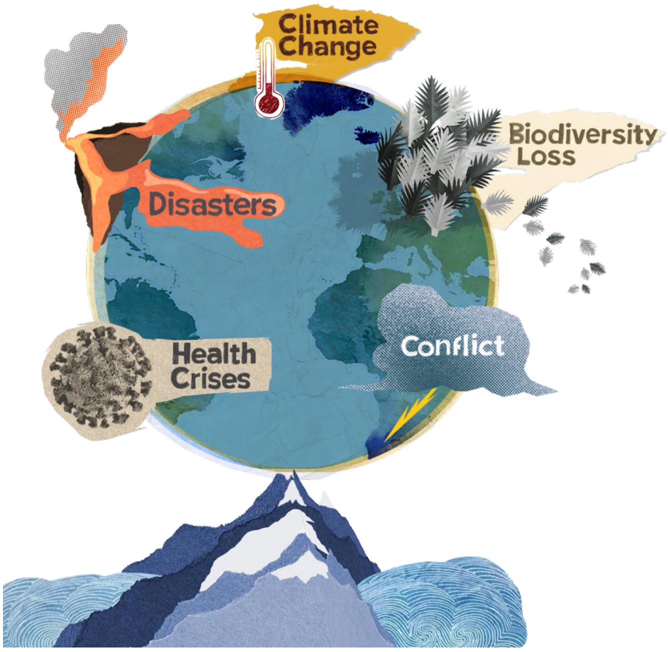
The Context: A World of Rapidly Rising Risk and Shock

Climate shocks, economic uncertainty and conflict are among the era-defining risks reshaping sustainable development and financial markets. Against this backdrop of persistent vulnerabilities, investing in financial resilience (the ability to financially withstand and recover from unexpected events or shocks) is a global imperative to safeguard development and incentivize growth and investment.

Climate-related extreme weather events have increased fivefold[1] globally over the past 50 years, but eightfold in developing countries[2] – which also account for 90 percent of reported deaths.[3] More than US$3.8 trillion has been lost in the agricultural sector in the last three decades due to climate change related hazards, and more than 50 percent of the world is affected by drought.[4] Sea levels have risen by 10cm over the last two decades, with nearly 2 billion people at rising risk of increasingly frequent and severe flooding.[5]

These hazards and shocks, growing in frequency and severity with each year, could push as many as 100 million people into extreme poverty by 2030.[6] Meanwhile, nature, the frontline protection from disaster, is declining at a staggering rate, driven by a confluence of interrelated shocks. The $58 trillion per year, more than half of the world's total gross domestic product (GDP), that is highly dependent on nature is massively at risk from rising crises.[7]

Climate and environmental collapse are not the only issues at stake. Increasingly, communities and countries are seeing a much more complex picture of risks and their impacts. The outbreak of the COVID-19 pandemic highlighted the weakness of national



1 Save the Children, "2023 in review: Climate disasters claimed 12,000 lives globally in 2023", 20 December 2023. Available at https://www.savethechildren.net/news/2023-review-climate-disasters-claimed-12000-lives-globally-2023.

2 International Development Association, "IDA20 special theme: Climate change" (Washington, D.C., 2021). Available at https://documents1.worldbank.org/curated/en/374421625066951199/pdf/IDA20-Special-Theme-Climate-Change.pdf.

3 World Meteorological Organization, "Economic costs of weather-related disasters soars but early warnings save lives", 22 May 2023. Available at https://wmo.int/media/news/economic-costs-of-weather-related-disasters-soars-early-warnings-save-lives.

4 FAO, The Impact of Disasters on Agriculture and Food Security 2023 (Rome, 2023). Available at https://openknowledge.fao.org/items/5c7286e7-13d1-49fc-bf12-0012591d50e8.

5 Jun Rentschler, Melda Sahab and Bramka Arga Jafino, "Flood risk already affects 1.81 billion people. Climate change and unplanned urbanization could worsen exposure", World Bank Blogs, 28 June 2022. Available at https://blogs.worldbank.org/en/climatechange/flood-risk-already-affects-181-billion-people-climate-change-and-unplanned.

6 Bramka Arga Jafino, Brian Walsh, Julie Rozenberg and Stephane Hallegatte, "Revised estimates of the impact of climate change on extreme poverty by 2030", World Bank Policy Research Working Paper 9417 (Washington, D.C., World Bank, 2020). Available at https://documents1.worldbank.org/curated/en/706751601388457990/pdf/Revised-Estimates-of-the-Impact-of-Climate-Change-on-Extreme-Poverty-by-2030.pdf.

7 PwC, "PwC boosts global nature and biodiversity capabilities with new Centre for Nature Positive Business", 19 April 2023. Available at https://www.pwc.com/gx/en/news-room/press-releases/2023/pwcboosts-global-nature-and-biodiversity-capabilities.html.

and global resilience to health shocks. Households, businesses and entire countries experienced sharp declines in income, with global poverty increasing for the first time and the Human Development Index seeing its first ever decline in over three decades.

Conflict and insecurity continue to rise, both within and beyond countries. The conflict in Ukraine and Gaza in particular is reverberating in many other ways, regionally and globally, affecting oil and food prices, and contributing to further insecurity and challenges to multilateral cooperation. Increasingly, it is the interconnectedness of these crises that is key, with the combination of both short- and long-term climate changes, environmental threats, weak resilience and governance itself contributing to further conflict and insecurity.

Weak Financial Protection, Especially in Developing Countries

Set against this backdrop of this rising risk and hazard are the incredibly weak levels of financial protection that exist around the world.

In 2023, 218 disasters from natural hazards (up from 187 in 2022) resulted in global economic losses of $280 billion, of which less than 40 percent was covered by insurance. The rates of insurance coverage for disasters in developing countries are between 0 and 10 percent,[8] putting governments, households and businesses in positions of extreme financial vulnerability to risks. The global protection gap, the gap between the impact of crisis and how much of that is insured, has reached $1.8 trillion.[9] Key sectors in developing countries are almost entirely without financial protection. Just 5 percent of small businesses have insurance across south-east Asia[10] and only 1 percent of smallholder farmers have insurance coverage in sub-Saharan Africa.

The impact in specific countries can be devastating. Over 90 percent of property damage caused by the 2023 earthquake in Turkey and Syria was uninsured. The World Bank estimated that the earthquake caused $34.2 billion in direct physical damages, the equivalent of 4 percent of Turkey's 2021 GDP. The 2022 Pakistan flooding recorded over $30 billion of economic losses and 33 million people affected, and less than a few percent of both public or private assets were financially protected. In Ethiopia, where more than 59 percent of the population depends on agriculture, GDP is projected to drop 10 percent by 2045 if significant investment and progress on climate adaptation are not achieved. In 2020, flooding cost the country $358 million, and with an insurance penetration of only 0.5 percent, almost the entirety of the loss and damage was uninsured.

The impacts are generational, with both short- and long-term financial burdens of unfinanced disasters falling directly on countries, businesses and households. This means that a sizeable proportion of recovery and reconstruction efforts must be financed out of existing resources, if they are financed at all, with a substantial and ever-growing impact on

8 Microinsurance Network, The Landscape of Microinsurance 2023 (Luxembourg, 2024). Available at https://irff.undp.org/publications/landscape-microinsurance-2023.

9 Swiss Re Institute, "Restoring resilience: the need to reload shock-absorbing capacity", 21 June 2023. Available at https://www.swissre.com/institute/research/sigma-research/sigma-2023-02.html.

10 UNDP and Generali, Building MSME Resilience in Southeast Asia (New York, 2024). Available at https://irff.undp.org/publications/building-msme-resilience-southeast-asia.

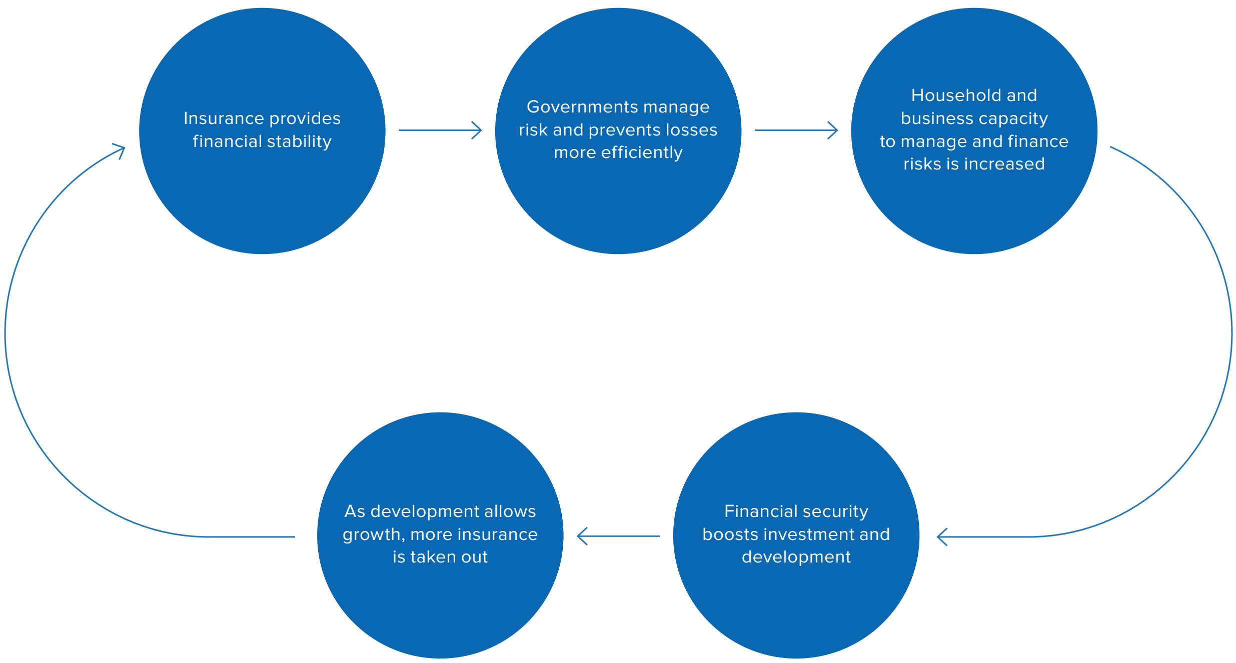
humanitarian needs. UN appeals are escalating dramatically, reaching a record $56.7 billion in 2023 and remaining elevated at $46.4 billion in 2024, eight times the figure of a decade earlier.

Insurance: the hidden foundation of resilient economies, investment and development

The impact of these crises has collapsed economies, undermined industries and agriculture, destroyed livelihoods and thrust millions into poverty. It has contributed significantly to the record-breaking public debt and high interest rates that are pushing one in three developing countries to spend more on interest payments than on climate and financial resilience, education or health.[11] More than the direct social and economic impact of crises without financial protection is the subsequent impact on growth, innovation, investment and development.

This is the often less-talked about role of insurance and risk finance, in that they do not only tackle global risks and local hazards, securing sustainable development in a world of rising shock. They also release economic potential through a multifaceted and ever-improving financial management of risk. First, by identifying and pricing risks so they can be financially managed, and then by absorbing the financial impact when risks turn into shocks, insurance de-risks trillions of dollars of investments that would not otherwise get financed, stabilizing global investment value chains, incentivizing both innovation and investment, and ultimately greatly securing development.

Figure 1: Insurance drives economic growt



11 UNCTAD, A World in Debt dashboard. Available at https://unctad.org/publication/world-of-debt/dashboard.

Stressed insurance markets are signaling hard limits to 'business as usual'

Insurance is the direct enabler of investments needed for resilience and development, but insurance markets face unprecedented pressures. Global insured losses from natural hazards have exceeded $100 billion for four consecutive years,[12] the highest figures ever recorded, stemming largely from a rise in relatively common medium- to low-impact events such as severe convective storms and localized flooding.

This has led to some insurers limiting coverage or no longer covering certain classes of hazard.

Insurance premiums for climate resilience and natural hazards are set to increase 50 percent by 2030 – reaching up to $250 billion, with new insurance coverage needed for the net zero transition estimated at $10 trillion.[13] The pressure to provide cover to support the climate transition is compounded by caution around taking on new risk in areas that lack historical data on losses.

Developing countries' exposure to intensifying weather disasters continues to price them out of insurance, risk finance and capital markets – leaving them prone to downward spiral of shocks.[14]

A new generation of bold and ambitious public-private partnerships are needed to support risk-sharing models and the creation of insurance solutions that can be seen as global public goods.

Regulatory change will be equally critical – as a key driver for innovation – and artificial intelligence must be harnessed to better price risk, articulate data and build ever more effective and efficient financial resilience.

Financial resilience and global value chains

Food, jobs, energy and economies depend on functioning and resilient global value chains. The past two decades have seen developing countries' economic integration reach new heights. The COVID-19 pandemic demonstrated how this interconnectedness can be both a source of vulnerability and resilience, where strengthened global value chains ultimately played an essential role in driving the post-pandemic recovery. Shocks and declines in productivity such as those caused by conflict, extreme weather, crop diseases and pests also result in important ramifications for global food value chain sustainability. And often, at the base are producers, such as farmers, that have almost no financial resilience, reminding us the that pyramid of value chains are often built on the very shakiest of foundations in a world of rising risk, hazard and shock.

12 Swiss Re Institute, "Sigma 1/2024 in short", 26 March 2024. Available at https://www.swissre.com/institute/research/sigma-research/sigma-2024-01/in-short.html.

13 Howden and BCG, "The bigger picture: The $10 trillion role of insurance in mobilising the climate transition" (London, 2024). Available at https://www.howdengroup.com/sites/huk.howdenprod.com/files/2024-06/the-bigger-picture-whitepaper.pdf.

14 Natalia Alayza, Valerie Laxton and Carolyn Neunuebel, "Developing countries won't beat the climate crisis without tackling rising debt", World Resources Institute, 22 September 2023. Available at https://www.wri.org/insights/debt-climate-action-developing-countries.

UNDP's Work in Financial Resilience

UNDP's Insurance and Risk Finance Facility is charting new pathways to build resilience, incentivize growth and safeguard development. Housed within UNDP's Sustainable Finance Hub, the Facility is currently active in 39 countries, where it uses insurance and risk transfer to increase the financial resilience of **countries, communities, households, businesses, nature and food systems**.

1. Resilient Countries and Communities

Increasing countries' capacity to manage risk, financially

As the global risk landscape becomes increasingly complex, developing countries need increased capacity to manage risks financially, without compromising already strained national budgets. The Insurance and Risk Finance Facility is working with governments to integrate the financial management of growing risks into all aspects of countries' financial decision-making. This includes working with insurance industry partners to develop and distribute relevant insurance solutions at increasing levels of scale. And increasingly, this work is expanding to the most fragile and conflict-affected states, building tailored solutions in the most complex of environments.

Technical assistance is driving tailored risk financing strategies, policy and regulatory reform, improved risk modelling and analysis and strengthened local insurance markets. In parallel, the Facility is helping countries integrate risk finance into key development frameworks such as their Integrated National Financing Frameworks.

Financial resilience at scale: Building flood insurance for Lagos state

Lagos State is exposed to significant flood risk due to several factors, including its geographical location, rapid urbanization and climate change. In Lagos State, UNDP and industry are developing an innovative parametric insurance solution to protect the public assets on which 1.7 million households (8.5 million people) depend from flood risk.

Financing the policy will contribute significantly to stabilizing and regularizing the financial commitments of Lagos to flood risk, and is integrated into the existing flood risk management framework and contingencies. In the event of a significant flood, the policy will release funds to the Lagos State Government that will contribute towards emergency disaster relief and rapid (re)construction of critical network infrastructure. Alongside this work, the Insurance and Risk Finance Facility is working closely with the Federal Government of Nigeria to develop a National Disaster Risk Finance Strategy to strengthen the management of a broad range of risks, working to transform local insurance markets and catalysing local innovation within Nigeria's insurance sector through Insurance Innovation Challenges.

2. Resilient Households

Opening new pathways to financial protection for billions of people in developing countries

An estimated 9 out of 10 people in low-income communities lack the formal safety net provided by insurance and risk falling back into poverty with any unexpected shock – such as illness, death, loss of income or property damage due to natural hazards.

UNDP is working on the provision of low-cost, accessible insurance products that meet the actual needs of individuals and families in developing countries. This includes working with governments to prioritize insurance market development, integrating insurance into social and economic programmes and undertaking detailed work with insurance regulators to develop the most appropriate enabling environment for insurance to thrive. This also includes building the insurance industry's capacity to develop products, services and distribution channels capable of reaching underserved households. In parallel, initiatives are under way to increase actuarial capability to accurately price inclusive insurance products.

Recognizing that the insurance products must meet the needs of everyone in society, UNDP is increasing awareness of the gender dynamics of risk and resilience, and advocating for better policies, programmes and gender-inclusive products.

3. Resilient Businesses

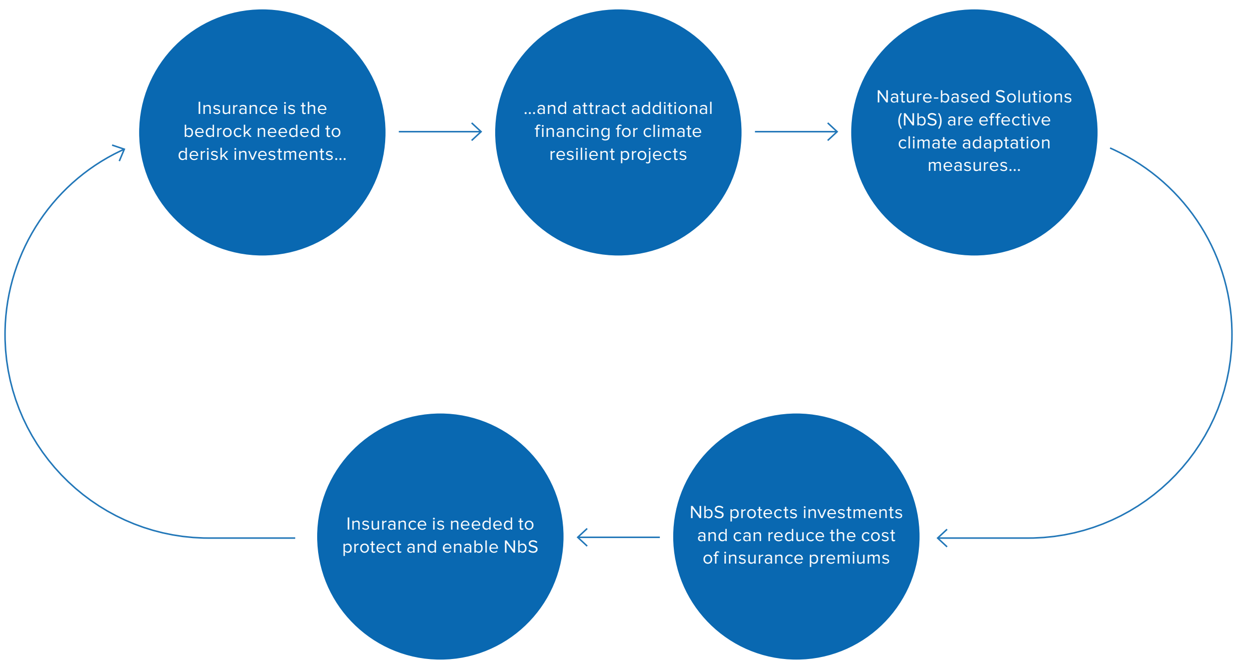
Building small businesses' resilience to strengthen local and regional economies

Small and medium-sized enterprises (SMEs) represent 90 percent of all businesses worldwide, employ more than 50 percent of the global workforce and account for approximately 40 percent of GDP in emerging economies. They serve as engines of innovation and entrepreneurship and play a crucial role in the interconnected global economy, linking businesses across borders and contributing to the resilience of global value chains.

While SMEs in both developed and emerging economies are facing the disruptive effects of extreme weather events, shifting market demands, cybersecurity threats and regulatory changes, those in emerging economies often grapple with limited access to finance and technology, infrastructure deficits and capacity-building constraints, exacerbating their vulnerability to climate-related risks. The vast majority of these companies have no insurance of any kind.

UNDP is building evidence and digital tools to increase SMEs' understanding and financial management of rising risks, and alongside this, is working with industry to build the latest in financial solutions. Innovation challenges are incentivizing the development and distribution of insurance solutions tailored to SMEs' needs across UNDP's financial resilience portfolio. Efforts to develop local insurance markets where these solutions can scale development include trainings, policy reviews and strengthened regulatory frameworks.

Figure 2: Insurance is key to developing nature-based solutions



4. Resilient Nature

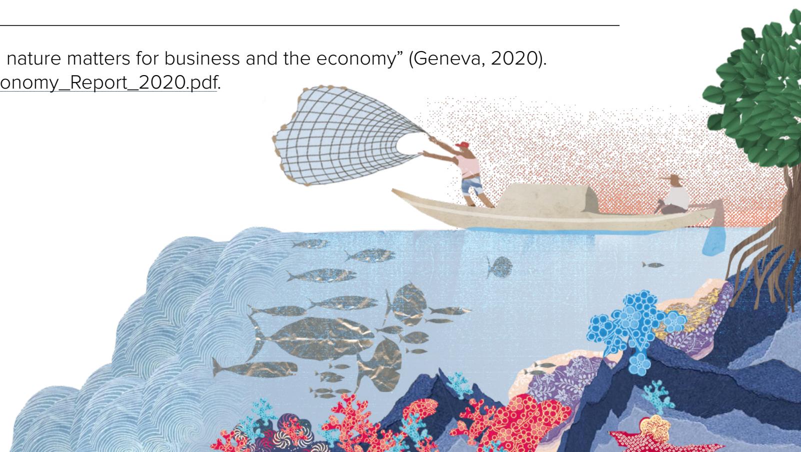
Generating a virtuous circle of thriving nature and local communities

Current financial systems undervalue nature's contributions, worsening climate impacts and environmental degradation. More than half of global GDP is moderately to highly dependent on ecosystem services[15] but nature is in rapid decline. Extreme weather, disasters, pollution, deforestation and overfishing all have catastrophic impacts on ecosystems and the local communities that depend on the natural assets they provide. By investing in nature protection and restoration, nature-dependent businesses, communities and countries continue to benefit from the natural buffers that ecosystems provide against storms, as well as the substantial economic value of these ecosystems.

UNDP is rethinking the relationship between finance, insurance and nature protection as a virtuous circle that must secure sustainable future for generations to come, utilizing our growing awareness of nature's economic value and the intergenerational concern for its loss.

Multi-stakeholder processes and financing mechanisms are used to protect and restore ecosystems through nature-related insurance products. These solutions are emerging through the Insurance Innovation Challenges, our partnership with BIOFIN (the Biodiversity Finance Initiative) to reduce human-wildlife conflict, and our growing work with the insurance industry to construct financial resilience on the protective value of nature, such as in relation to reefs.

15 World Economic Forum, "Nature risk rising: Why the crisis engulfing nature matters for business and the economy" (Geneva, 2020). Available at https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf.



5. Resilient Food Systems

De-risking investments in food systems and global supply chains

In most developing countries, agriculture generates more than one-quarter of GDP and employs over half of the population. Agriculture is the primary income source for one in three people worldwide, of whom three in four people live in extreme poverty. Smallholder farmers are highly vulnerable as they are often informal or subsistence workers who lack access to social protection and have minimal financial protection, with for example just 1 percent having insurance in sub-Saharan Africa.

De-risking instruments are needed to build resilience while attracting financing for agricultural and climate adaptation efforts. These de-risking instruments, including insurance, play a critical role in ensuring the sustainable transition of food systems, boosting the financial resilience of small-scale producers and regional contributions to the resilience of global food value chains.

UNDP's Insurance and Risk Finance Facility is supporting food systems transformation by promoting insurance within broader de-risking frameworks, facilitating cross-ministerial collaboration to institutionalize the insurance agenda and protecting business models by bundling insurance with services and products delivered by value chain actors.

UNDP's Financial Resilience in Agriculture Initiative is bolstering smallholder farmers' resilience and adaptation to climate change through the design and implementation of innovative agricultural insurance programmes. The initiative is also working with investors to better understand how insurance can de-risk investment in food systems by increasing the resilience of value chains reliant on smallholder farmers. At the same time, smallholder resilience to climate risks is being improved by incentivizing the uptake of adaptive climate technologies. Through the Tripartite Agreement,[16] UNDP is also working with governments and insurance industry to developed tailored large-scale agriculture-related risk finance solutions in Colombia, Ecuador, Ethiopia, Mexico, Uganda, the United Republic of Tanzania and Uzbekistan.

16 See UNDP Insurance and Risk Finance Facility, "Tripartite Agreement – 2023 overview", 5 December 2023. Available at https://irff.exposure.co/undps-insurance-and-risk-finance-tripartite-programme-snapshot.

Our Projects: Action and Implementation

Tripartite Agreement

Building country and community financial resilience to climate risks, working with the world's largest insurers

The Tripartite Agreement is a partnership between UNDP, the German Federal Ministry of Economic Cooperation and Development (BMZ) and 20 of the world's largest insurers under the framework of the Insurance Development Forum. One of the largest public-private partnerships in the development sector, the Tripartite Agreement is active in 20 countries, and protects close to 64 million beneficiaries, underpinned by $5 billion in risk capacity offered from the insurance industry partners.

Through the Tripartite Agreement, UNDP and insurance companies are working on a joint programme that includes the development of large sovereign insurance initiatives protecting society from key hazards and shocks. Alongside this, a long-term comprehensive technical assistance programme is delivered by UNDP, building long-term financial risk management capacity for governments, developing risk financing strategies, working on insurance in key sectors such as agriculture, developing insurance markets with insurance regulators, and building the innovative and market capacity of national insurers.

Financial Resilience in Agriculture Initiative

Building smallholder farmers' resilience and adaptation to climate change through innovative national agricultural insurance programmes

The Financial Resilience in Agriculture (FRA) initiative, in partnership with the Bill and Melinda Gates Foundation, is designing and implementing innovative national agricultural insurance programmes in five countries: Bangladesh, Ethiopia, India, Uganda and the United Republic of Tanzania.

The initiative's unique market systems approach is to not only build financial resilience, but also to address market failures that prevented agricultural insurance programmes from reaching scale and focus on building sustainable business models for actors from the inclusive insurance ecosystem. To support the development of well-functioning agricultural insurance markets in developing countries, the work is guided by three foundational building blocks: i) Enabling Environment – To define the role of agricultural insurance in government and market dynamics; ii) Innovation Models – To design, develop and test insurance solutions for the agriculture sector; and iii) Market Foundations – To facilitate in-country technical support services for insurers, value chain actors and financial institutions.

In parallel to this country work, a global platform brings together governments, industry and food producers to build value chain solutions at scale, with a Community of Practice peer-to-peer learning platform at its centre, now with 18 participating countries.

Figure 3: Financial Resilience in Agriculture Theory of Change

IMPACT	Enhanced financial resilience and adaptation capacities of smallholder farmers to manage climatic risks		
STRATEGIC OBJECTIVE	Leverage the role of agricultural insurance as an enabler for development outcomes		
OUTCOME AREAS	Well-functioning inclusive agricultural insurance markets		
	Government defines its role within the market and institutionalizes the agricultural insurance agenda	Market players build business models to serve smallholder farmers and build the case of the role of agricultural insurance	Local technical institutions develop in-country market supporting services for government and market players

UNDP-Milliman Global Actuarial Initiative

Increasing countries' understanding and management of climate risks by building actuarial capacity and deepening insurance markets

Resilient economies and societies need insurance, and insurance needs actuaries to quantify, price and manage evolving risks. However, the actuarial profession is just emerging in many developing countries, with many countries having just a handful of trained national experts. The UNDP-Milliman Global Actuarial Initiative (or GAIN) is working with developing countries to manage their growing climate risks by building actuarial capacity and deepening local insurance markets. GAIN is active in 12 countries, with detailed road maps being implemented in 8, and more countries in planning stages. The initiative has seen over 4,000 pro bono consulting hours contributed to interventions driven by local stakeholders.

GAIN is delivering short-term actuarial capacity-building trainings and working on longer-term strategic policy changes. Interventions to increase the supply of actuaries include courses for actuarial professionals and academic leaders as well as support to students through mentorship programmes. GAIN is also advocating for regulators and the public sector to develop in-house actuarial expertise to financially prepare for complex risks. Working already in 12 countries, the initiative will expand to 20 over the next few years.

UNDP-Generali Building SME Resilience

Unlocking small businesses financial resilience through digital tools, research and product innovation

Between 80 and 95 percent of the world's micro-, small and medium-sized enterprises are in developing countries, contributing up to 55 percent of GDP and 70 percent of employment. Recognizing the pivotal role SMEs play in the global economy and their vulnerability to climate-related risks, Generali and UNDP have partnered on a shared vision to accelerate SMEs' financial resilience to rising hazards and shocks.

To date, Generali and UNDP have launched an SME Loss Prevention Framework to help Malaysian SMEs manage flood risks[17] and an innovation challenge bringing innovative SME insurance solutions to life, and have developed a new approach to identifying MSME risks and needs by segmenting priority value chains.[18]

Generali and UNDP is also facilitating robust global dialogue and collaboration between SMEs, policymakers, SME associations, institutional representatives and industry leaders to shape environments where SMEs can thrive, securing livelihoods and driving economic growth.

Reef and Coastal Community Resilience

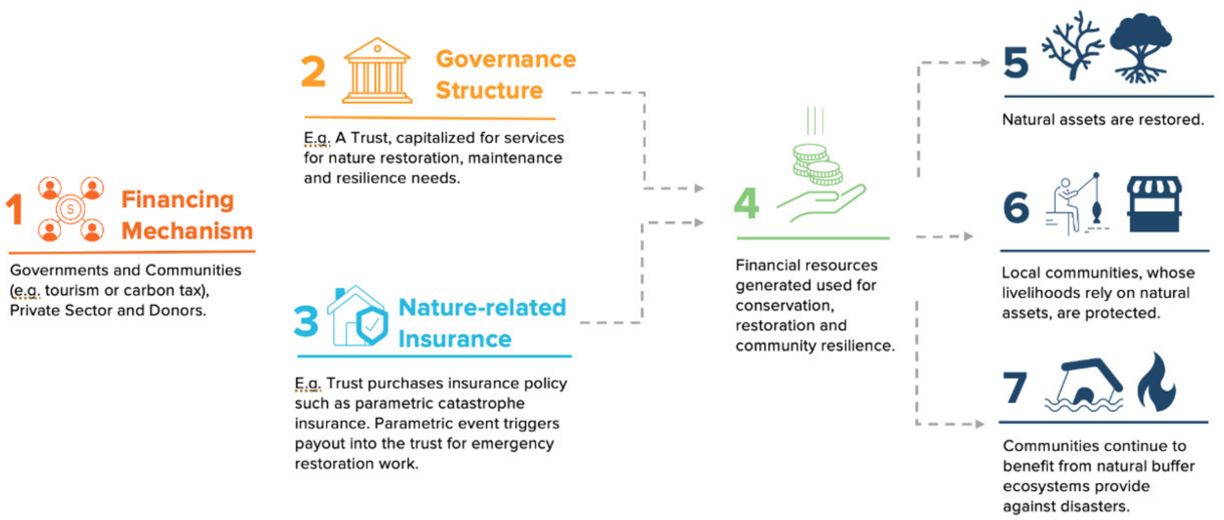
Protecting and restoring ecosystems while strengthening the financial resilience of local communities

Unprecedented nature loss and degradation has contributed to the most pressing global threats facing humanity, including food insecurity, pandemics and the climate crisis. Nature's conservation, restoration and sustainable use must be part of any meaningful approach to inclusive economic growth, especially in nature-rich developing countries.

UNDP is designing and deploying nature-related insurance mechanisms to protect and restore coral reefs, mangroves, forests and wildlife through innovation challenges, the Tripartite Agreement and a series of bilateral partnerships.

With support provided by the Ocean Risk and Resilience Action Alliance (ORRAA), UNDP is collaborating with Swiss Re and the Government of Indonesia to develop a long-term parametric/hybrid insurance solution for coral reef protection and restoration. Ensuring the health of these critical ecosystems will safeguard coastal infrastructure, support local livelihoods dependent on reef-related sectors and drive tourism, by protecting activities such as diving, snorkelling, fishing and other recreational marine activities. An expansion of this initiative is in development for other countries in the Asia-Pacific region.

Figure 4: Parametric insurance as a mechanism towards the conservation and restoration of natural assets



17 UNDP, "UNDP and Generali are building SME resilience in Asia", 5 March 2024. Available at https://irff.undp.org/press-release/undp-and-generali-are-building-sme-resilience-asia.

18 UNDP and Generali, Building MSME Resilience in Southeast Asia (New York, 2024). Available at https://irff.undp.org/publications/building-msme-resilience-southeast-asia.

Least Developed Countries (LDC) Engagement Initiative

Building LDCs' financial resilience by supporting government-led financial risk management

In order to support countries where the insurance industry has been historically reluctant to engage, UNDP has launched the LDC Engagement Initiative funded by the German Federal Ministry of Economic Cooperation and Development (BMZ). The insurance industry faces real and perceived barriers to market outreach and penetration in LDC countries, including issues of demand, unsupportive legislative and regulatory environments, financial governance and the ability to finance premiums.

LDC Engagement Initiative is working with government to build the foundations of financial risk management and with the insurance industry to find insurance and risk financing opportunities that can support and safeguard economic and social development. Currently active in Comoros, Senegal and Uganda, the approach is rooted in UNDP's long-term work on governance and development in the least developed countries, ensuring that investments in long-term financial resilience are also made in more challenging contexts.

"In the face of an intensifying climate emergency, tailored insurance for communities in developing countries transcends mere protection for tomorrow. It is an anchor securing new resilience for the generations to come."

—Achim Steiner, UNDP Administrator

De-risking complex operations in fragile states: the FSO Safer Operation

The 2023 FSO Safer Operation showcased how insurance can enable complex operations in fragile and conflict-affected areas. Moored in the Red Sea, the FSO Safer supertanker was carrying an estimated 1.1 million barrels of light crude oil and had not had any maintenance for seven years. The threat of a major oil spill – from a breach in the hull or an explosion – was growing greater with every passing day. The humanitarian and environmental catastrophe impacts were estimated at **$20 billion** in clean-up costs, **17 million people affected** and **200,000 livelihoods** lost instantly.

The United Nations, led by UNDP, successfully completed the complex operation of transferring the oil from the FSO Safer supertanker to a replacement vessel, preventing the immediate threat of a massive spill. The salvage operation was able to take place thanks to an exceptionally specialized set of insurance policies supported by more than **100 individual underwriters**. The process to bind the insurance coverage was successfully managed by the Insurance and Risk Finance Facility Team thanks to its long-term relationship with the insurance industry.

Insurance Innovation Challenges

Powering a new generation of insurance solutions tailored to underserved households and businesses in developing economies

Bridging the financial protection gap is a substantial market opportunity for insurance providers and a critical step to safeguarding development. UNDP is rolling out Insurance Innovation Challenges in 25 countries, with an investment of over $2.1 million to incentivize industry transformation and provide tailored technical assistance to bring winning solutions to life.

Insurance innovation country challenges, supported by the Government of Germany, are calling on insurers, intermediaries and insurtechs to design new insurance products and services, models and distribution methods in 20 countries. The UNDP and International Cooperative and Mutual Insurance Federation (ICMIF) Insurance Innovation Challenge Fund is scaling up low-cost insurance products for women in four countries, while the UNDP-Generali Challenge Fund is incentivizing the development of two insurtech solutions in Malaysia tailored to SMEs faced with rising climate and weather-related risks.

Tailored Delivery Programmes

Technical assistance for countries' unique risk management needs – from multi-catastrophe risk pools to war risk insurance

Increasingly, UNDP's work on insurance and financial resilience is being driven by demands from the country level, with bespoke technical and financial capacity requested for sometimes specialized situations. These tailored solutions stretch from the blue economy to war risk insurance, from diagnostic developments to programmes on human-wildlife conflict.

Two of the most substantial of these programmes are for India (where UNDP is working on a range of risk financing solutions across the country) and for Indonesia (with a focus on insurance, risk financing and the blue economy). UNDP's efforts to address human-wildlife conflict includes the development of a jaguar insurance product in Argentina in collaboration with BIOFIN and the Government of Argentina. The insurance policy will protect both jaguars and the $6.8 million in gross annual income generated by jaguar-related tourism. Other work includes efforts to reduce the costs of food importation in fragile states (working with industry to reduce premiums) and working with the insurance industry to bring more of its $40 trillion of assets under management into low-carbon risk-informed infrastructure financing. Illustrating the scale of even single-country initiatives, the impact of insurance at the heart of the FSO Salvage Operation (see above) is counted in the billions of dollars.

Financial Resilience through Takaful

Harnessing Takaful to bridge the climate protection gap

Of the 30 countries most affected by the changing climate, over half have Muslim-majority populations.[19] While the whole world is facing rising risks, hazards and shocks driven largely by climate change, for Muslim communities, financial solutions must also comply with faith-based tenets. Providing such

19 Institute for Economics & Peace, Ecological Threat Report 2023: Analysing Ecological Threats, Resilience and Peace (Sydney, 2023). Available at https://www.visionofhumanity.org/wp-content/uploads/2023/11/ETR-2023-web-261023.pdf.

financial solutions are an additional challenge to building financial protection, adding to existing challenges such as lack of access, trust and resources.

Such solutions already exist in the form of Takaful, which is similar to cooperative and mutual insurance in that it is guided primarily by the overall good of the community. Just like many other forms of financial protection, it can do more than help people better understand and manage their risks, and financially protect lives, livelihoods and assets. By financially engineering product structures that move away uncertainty and risk, Takaful can incentivize investment, while also widening financial inclusion.

The Global Takaful Alliance

UNDP is working with partners to create the largest partnership of its kind to make Takaful available to all: The Global Takaful Alliance. With the ambitious target of 100 million people made financially resilient by 2030 through Takaful, the Alliance is already joined by founding members, the Islamic Development Bank (IsDB), Arab Gulf Fund for Development (AGFUND), Kuwait Finance House (KFH) Group and the Mohammed Bin Rashid Al Maktoum Global Initiatives (MBRGI). See our website at https://irff.undp.org/ for more details.

Where We Work
39 Programe Countries

20 Tripartite Agreement

5 Finance Resilience in Agriculture

3 Engagement Initiative

2 SME Resilience

7 Tailored Programmes

10 Global Actuarial Initiative

1 Reef & Coastal Community Resilience

25 Insurance Innovation Challanges

6 Specialized Technical Support

Global Expertise, Innovation, Leadership and Partnership

UNDP's work on insurance and risk financing extends beyond the countries with IRFF-led projects. The IRFF is also building capacity within UNDP, across headquarters, regional hubs and country offices, to unlock its institutional potential to close the protection gap by leveraging the power of insurance and risk financing to secure development gains and build financial resilience for communities and countries. This will be complemented by securing resources in key areas such as natural capital and insurance investment and widening work in LDCs, Small Island Developing States (SIDS) and more.

Leadership, partnership, gender inclusion, innovation, technology and data are key elements of UNDP's financial resilience strategy and are increasingly integrated across UNDP's insurance and risk finance portfolio. These cross-cutting and interrelated features are part of the Insurance and Risk Finance Facility's systems approach to delivering holistic country solutions.

Leadership and partnership

UNDP has the largest partnership with the insurance industry, global and national, with substantial programmes of work across multiple countries. It compliments and supports this through its leadership work in networks and forums such as the Insurance Development Forum, ICMIF, Global Shield Against Climate Risks, the Ocean Risk and Resilience Action Alliance, MicroInsurance Network, and more.

Incentivizing innovation

In a rapidly changing world, tailored insurance solutions are both a necessity and opportunity for insurers to expand their customer base and meet the needs of billions of people living without financial protection around the world. The Insurance and Risk Finance Facility is incentivizing the creation of innovative insurance products as well as their distribution channels, communications and claims processes, to unlock financial inclusion at scale.

Integrating gender commitments

Without gender equality today, a sustainable, more equal future remains beyond our reach. UNDP recognizes that all our financing and activities have a potential impact on and are influenced by the gender equality context in which they are deployed. We are implementing a Gender Commitment[20] across all areas of work, built on fostering structural transformation, leaving no one behind and building resilience.

20 UNDP, "UNDP Insurance and Risk Finance Facility gender commitment" (New York, 2023). Available at https://irff.undp.org/sites/default/files/2023-11/undp-irff-gender-commitment_0_0.pdf.

Access to data and new technologies

Technology and data-driven developments are shaping better insurance and risk transfer products, and offer an increasingly efficient means of service delivery. The Insurance and Risk Finance Facility is harnessing the increased availability of data (internet of things, crowdsourcing, earth observation, etc.), increased capacity to process data (AI, cloud computing, etc.), and new tools for communicating risk data and mitigation advice to improve efficiency and scale of solutions at the country level.

Global training and networking

Helping government and insurance industry actors make informed choices about insurance products, supervision, technology, gender inclusivity and more is equally important to delivering the IRFF's mission. Trainings on insurance and risk finance for industry, government and development actors are met with enthusiasm as they are rolled out across and beyond the 39 Insurance and Risk Finance Facility programme countries.

Contacts

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