

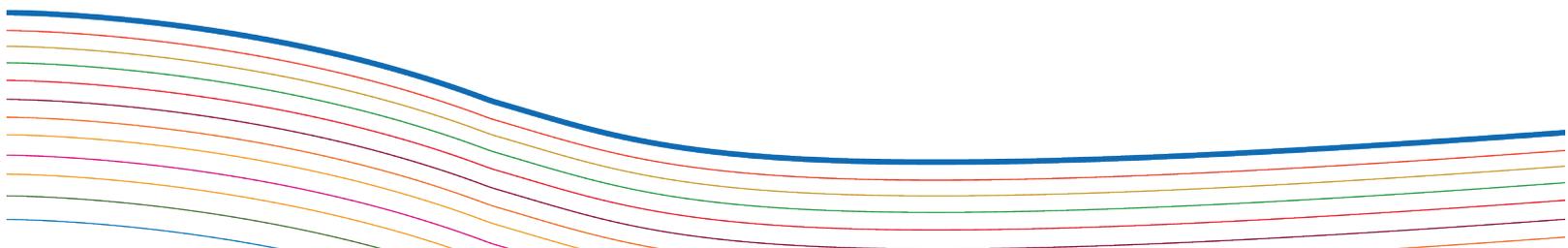


UNDP Insurance
and Risk Finance
Facility



Inclusive insurance and risk financing in Argentina

Snapshot and way forward 2023



Why this report ?

This report summarizes the key findings of an inclusive insurance and disaster risk finance country diagnostic carried out by the UNDP's Insurance and Risk Finance Facility (IRFF) and UNDP Argentina. The objective of this summary report is to present a high-level overview of the following information for Argentina:

- 1** **Key risks,** especially climate risks
- 2** The current state of **inclusive insurance**
- 3** The current state of **disaster risk finance**
- 4** **Recommendations to advance** inclusive insurance, risk finance and overall development in Argentina

This summary is intended to serve as a starting point for discussion and collaborative action planning on inclusive insurance and disaster risk finance between UNDP and key stakeholders including the insurance sector, government agencies and other development sector actors.

IRFF goals

Impacts: Reduced vulnerability, enhanced resilience of countries and communities and strengthened prospects for sustainable development.

Outcomes: Country and community long-term resilience improved by development and delivery of integrated insurance, risk finance and investment solutions, from products, tools and services all the way leading to market transformation.

Contact IRFF for questions:
If you wish to discuss the findings and recommendations of this report, reach out to:

irff@undp.org

Key messages



Risks: Floods, earthquakes, drought and landslides.



Inclusive insurance: Around **160,000 people** were covered by inclusive insurance policies in 2020, covering a mix of life and non-life risks. Microinsurance-specific regulation has been in place since 2018, insurance was included in the 2020–2023 National Financial Inclusion Strategy, and a Microinsurance Working Group including public and private actors was formed in 2021. Despite this progress, only a handful of insurers had approved plans to market microinsurance products as of end 2021.



Risk finance: The National System for Disaster Risk Reduction and Civil Protection (SINAGIR) provides institutional stability and a favourable environment for the development of disaster risk financing approaches. However, no systemic efforts have been made to collect and evaluate data on disaster risk vulnerability and associated costs. Disaster risk financing mechanisms are limited, consisting of a National Emergency Assistance Fund and a contingent loan agreement with the Inter-American Development Bank (IDB).



Key recommendations include:

- Systematize and make disaster information available to relevant government stakeholders
- Develop a federal risk assessment strategy and methodologies, as well as a broad disaster risk finance strategy
- Support the development of public and private demand information for inclusive insurance
- Continue to develop an enabling inclusive insurance regulatory framework
- Support the development of coverage for other climate disaster risks, such as flood and drought insurance.

Argentina's development and risk profile

Key macroeconomic and development indicators



94.8%

inflation rate (November 2022), which is the highest since 1991¹, Argentina is experiencing **an economic and financial crisis**. Poverty is rising and the Argentinian peso (ARS) continues to lose value.²

40.6%

of the Argentinian population was estimated to live **below the national poverty line** in 2021.³

28%⁴

of the population had **no access to financial services** in 2021, and insurance penetration was just **2.7%** of GDP.⁵



92%

of the population (**45.6 million** in 2022) live in **urban areas**.⁶



27.3%⁷

of Argentina's gross domestic product (GDP) is **informal**, with agriculture accounting for **7.1%** of GDP in 2021.⁸

Key risks and hazards

Flood

14.2 million Argentinians live in areas prone to coastal or riverine flooding, especially in the Greater Buenos Aires, Pampas and Gran Chaco regions.⁹

5 of the 11 major floods suffered by Argentina over the last 50 years caused direct damage of more than **US\$1 billion** each.¹⁰

The latest floods in April 2022 hit the north-eastern province of Corrientes, leaving cattle fields under water and inundating roadways, just months after wildfires ripped through the region and burned important wetlands.¹¹

Expected to cause **\$700 million** in economic losses every year.¹² Between **875,000 and 1.1 million people** will be affected by riverine floods annually by 2050.¹³

Earthquake

4.6 million people are exposed to earthquakes and **7.7 million** to risk of landslides, with highest seismic risk in the Central Western provinces.¹⁴

More than 10,000 deaths and around **\$180 million** in damages have been caused by earthquakes since 1900,¹⁵ including serious quakes in 1944 and 1977.

Fire

10.5 million people are exposed to wildfires,¹⁶ particularly in the wildland-urban interface areas.¹⁷

From 2016 to 2017, Argentina had one of its worst wildfire seasons, almost reaching its historical record of one million hectares burned.¹⁸

Between January and March 2022, fires devastated Corrientes, affecting more than **1 million hectares**, causing millions of dollars in losses and damaging protected plant and animal wildlife in Iberá National Park, an important wetland.

Burned area may increase by **734 km²** per year by 2050.¹⁹

Drought

c. 36 million people are exposed to water scarcity and drought risk in the centre of Argentina, the core areas for crop and livestock.²⁰

More than 1 million people were directly or indirectly affected by droughts in 2006, 2009 and 2011, which resulted in losses of over **\$4 billion**.²¹

The 2017/2018 drought had a serious impact on the country's productive system, with direct crop losses estimated at **\$1.5 billion**.²²

The frequency of agricultural droughts is projected to increase by between **23% and 62%** by 2050 due to climate change, with the likelihood of severe drought increasing by between **16% and 22%**.²³

Volcanic eruptions

190,000 people are exposed to volcanic eruptions,²⁴ with ash fall most prevalent in the south and west near the Andes Mountain chain.

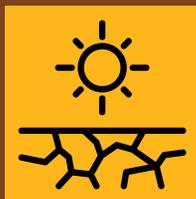
For **four months in 2011**, the Cordón Caulle volcanic eruption in Chile created a massive ash cloud over Argentina, disrupting activities in most of the country, while the **1991** Hudson Volcano eruption interrupted life in Patagonia for **seven months**.²⁵



Natural Disasters in Argentina from 1900–2020

Drought

- 4 incidences
- 8 deaths
- 35,032 affected
- \$3.53 billion damages



Wildfire

- 28 incidences
- 8 deaths
- 152,752 affected
- \$100 million damages



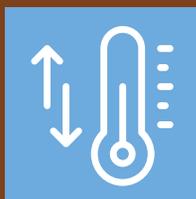
Earthquake

- 5 incidences
- 10,476 deaths
- 241,065 affected
- \$180 million damages



Extreme temperature

- 8 incidences
- 185 deaths
- 94,500 affected
- \$104 million damages



Flood

- 35 incidences
- 293 deaths
- 7,147,831 affected
- \$6.5 billion damages



Volcanic activity

- 4 incidences
- 0 deaths
- 56,964 affected
- \$1 billion damages



Landslide

- 4 incidences
- 103 deaths
- 35,030 affected
- \$15 million damages



Source: Adapted from World Bank, *Climate Risk Country Profile: Argentina*, 2021.

Inclusive insurance:²⁶ Status

Context

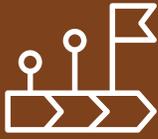
c. **160,000 people** in the country were covered by a mix of **life and non-life microinsurance policies**, according to a 2020 study. This level of outreach is relatively low compared to similar countries in the region, such as Argentina, Mexico and Peru.²⁷

2.7% was the **total insurance penetration rate** (gross written premiums / gross domestic product) in Argentina in 2021, below the Latin American average (3%).²⁸

Climate risk and health insurance products, among others, could be extended to lower-income individuals and micro, small and medium-sized enterprises (MSMEs).

Enabling environment²⁹

Highlights from the enabling environment for inclusive insurance in Argentina

Policies / Plans	National Financial Inclusion Strategy 2020–2023 (Estrategia Nacional de Inclusión Financiera, ENIF)	
	<p>In 2019, the Ministry of Economy launched the ENIF, which aims to promote access to inclusive insurance, among other financial services. The strategy, which was updated in 2020, prioritizes policy areas that can help advance access to and use of financial services by individuals and MSMEs.³⁰</p>	
	Programme for Integrated Risk Management in the Rural Agro-industrial System (Proyecto de Gestión Integral de Riesgos en el Sector Agroindustrial Rural, GIRSAR)	
	<p>In 2018, led by the Ministry of Agriculture and supported by the World Bank, GIRSAR was launched to “strengthen the resilience of the agro-industrial system, reducing the vulnerability and exposure of producers to climate and market risks, especially among the most vulnerable actors.”³¹ Insurance is part of GIRSAR’s strategy.</p>	National Financial Education Plan
		<p>To complement the ENIF, the National Financial Education Plan was also launched by the Ministry of Economy in 2019. This plan was designed to develop individuals’ and MSMEs’ skills in understanding the terms and conditions of financial services, including inclusive insurance.³²</p>

Regulations

Insurance legal structure

Argentina has many laws providing a legal structure for the insurance industry. Among them, **Insurance Law No. 17418** covers compliance and consumer protection, **Insurance Entities Law No. 20091** provides a framework for licensing and governance of products and **Insurance Brokering Activity Law No. 22400** governs management of intermediary activities.

Participatory Table of the Insurance Sector: Resolution 441 of 2020

In 2020, SSN created the **Participatory Table of the Insurance and Reinsurance Sector** (Resoluciovn 441/2020) to foster technical discussions with insurance and reinsurance institutions and strengthen the sector.³³

Insurance and Insurtechs Innovation Table: Resolution 733 of 2019

In 2019, under **Resolution 733/2019**, SSN launched the **Insurance and Insurtechs Innovation Table** to engage with the insurtech community. This innovation hub focuses on testing new solutions and enacting or updating regulations.³⁴



Microinsurance regulation: Resolution 126 of 2018

In 2018, SSN enacted **Resolution 126/2018** to regulate and develop the microinsurance market and improve insurance access for vulnerable individuals and MSMEs. This resolution defines microinsurance as a non-life and/or life coverage that provides protection to low-income individuals and involves the payment of a premium which is proportionated to the insured profile risk and its income. It also incorporates the concept of proportionality for insurers that offer inclusive insurance and includes requirements for information disclosure and training for intermediaries distributing microinsurance solutions.³⁶

Digital insurance: Resolution 219 of 2018

SSN's **Resolution 219/2018** aims to improve documentation methods and disclosure processes through digital underwriting and signatures. This could help expand access to inclusive insurance target markets.

National Superintendence of Insurance (Superintendencia de Seguros de la Nación, SSN)

The Secretariat of Finance, part of the Ministry of Economy, is the authority responsible for designing and implementing policies for the development of the insurance market and has oversight of the SSN the regulator for the sector. In 2021, the Secretariat of Finance and SSN launched the Microinsurance Working Group (GTMS), which brings together public and private market actors to promote tools to develop microinsurance.³⁷ SSN is also working with the private sector on a pilot project focused on inclusive insurance for women and has partnered with the Access to Insurance Initiative (A2II) on a round table on the topic.³⁸



Stakeholders

The National Social Capital Fund (Fondo Nacional de Capital Social, FONCAP)

FONCAP helps expand inclusive insurance through microfinance entities and MSME financing, with a programme offering health, life, accident and credit life microinsurance products to entrepreneurs.³⁵

Ministry of Agriculture

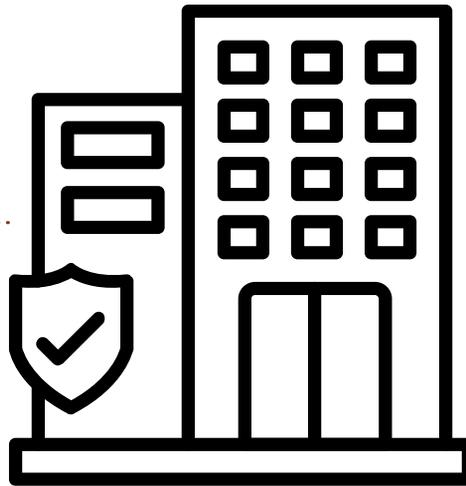
The Ministry of Agriculture is working with SSN to expand the availability of climate risk insurance, focusing on floods and droughts. They have issued a joint resolution on index insurance and established a task force working closely with the private sector to develop climate risk insurance for agriculture.

Supply-side snapshot

Insurance (traditional and micro) coverage: Fast facts

ARS 1.035 trillion³⁹ (\$10.8 billion)⁴⁰ was the value of **total net insurance premiums** as of fiscal year ending June 2021.

100% increase in total net insurance premiums took place between 2009 to 2019, from **ARS 224 billion to ARS 448 billion⁴¹ (\$2.3 billion to \$4.7 billion)**.



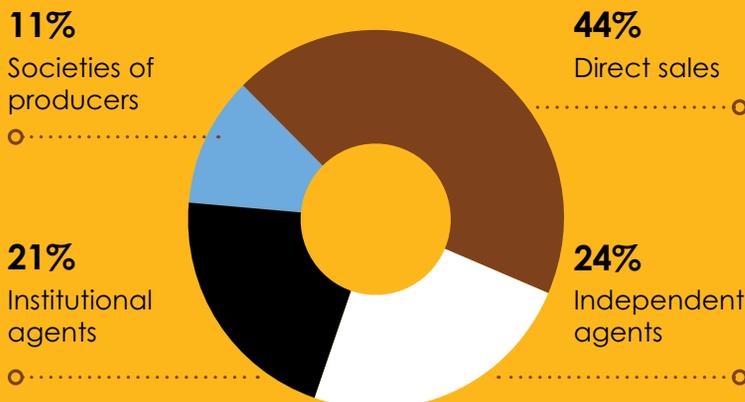
192 insurers were active in the insurance sector as of the end of 2021.⁴²

66% of premiums for personal insurance lines in 2021 were obtained in the City and Province of Buenos Aires,⁴³ despite the region accounting for approximately **46% of the population**.

Distribution

Almost half of microinsurance sales are through direct sales channels. Microinsurance providers offer the rest through alternative distribution channels such as institutional agents and producers' societies.

Distribution channels used for microinsurance sales, 2021



Source: Argentina, Ministry of the Economy, "Microseguros" [Microinsurance], May 2022.

The number of **intermediaries offering insurance doubled** from 2009 to 2019. These vendors include financial institutions, retailers, travel agents, technology companies and telecommunications companies, among others. The growth in intermediaries has facilitated the expansion of insurance offerings, opening up the possibility of distributing more affordable and customer-centred insurance to low-income individuals.⁴⁴

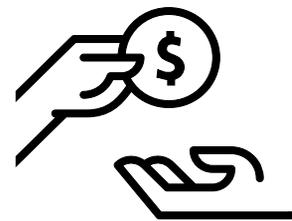
Greater use of mobile and broadband internet throughout the pandemic has created an opportunity for increasing distribution of insurance through digital channels. At the end of 2021, there were **59.1 million mobile subscriptions** in the country,⁴⁵ and **96%** of the population have access to mobile or broadband connectivity.⁴⁶

Insurance products: Fast facts



According to the Ministry of Economy, only **four companies** have approved plans to market microinsurance products, including health, life, personal accident, theft and damage coverages.⁴⁷

Insurers report key regulatory barriers to offering microinsurance include requirements to pay claims within **15 days**, tax burdens and the requirement to have a microinsurance advisory figure in their organization.⁴⁸



In 2022, an estimated **71,000 people** were covered by non-life microinsurance and **89,000 people** by life microinsurance.⁴⁹

A few localized pilots of inclusive insurance have taken place in the last decade, with reasonable success. However, the extent to which policyholders appreciated the value of microinsurance is debatable; claims were low, either because clients did not know how to claim or because they did not have a valid loss to make a claim for.⁵⁰



Inclusive insurance demand

No substantive demand side information is available on the inclusive insurance target market.

The traditional insurance market is dominated by motor and workers' compensation insurance.



Health insurance accounted for only **0.2% of net premiums** (ARS 2 billion / \$21 million) in the fiscal year ending June 2021, while **life insurance** accounted for **11.6%** of the market (ARS 120 billion / \$1.3 billion).⁵¹



Agriculture insurance (including livestock) accounted for less than **3%** of total net premiums (ARS 28 billion / \$293 million). The majority (**85%**) are crop-hail policies, while additional risks (fire, reseeding, frost, drought, severe winds, water logging and excess rainfall) were also included on **15%** of policies. Livestock insurance accounted for less than **1%**.⁵²

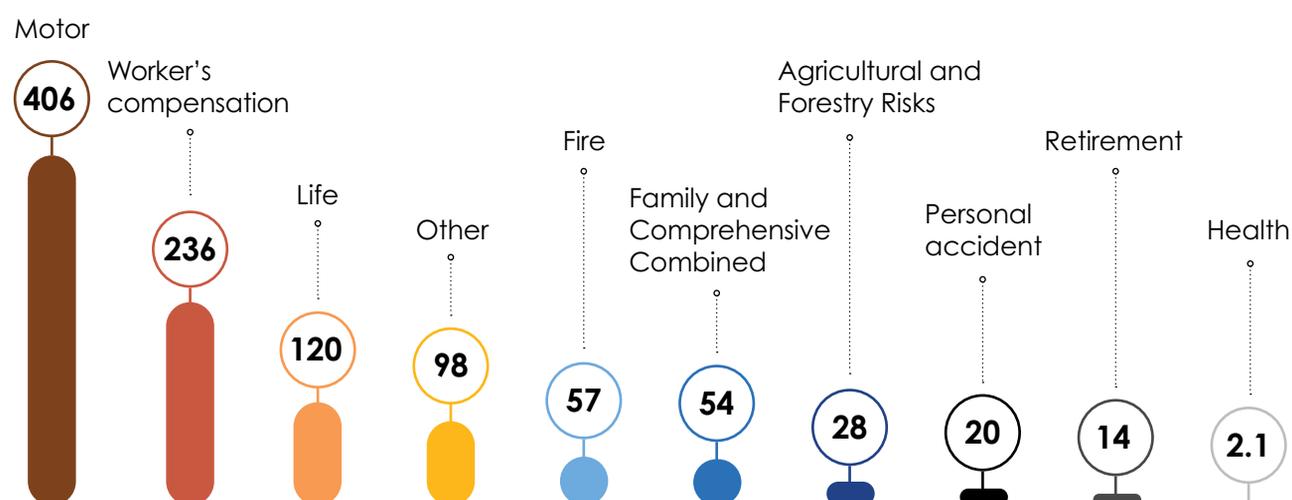


Parametric insurance is still in its early stages, though several partnerships between insurance companies and AgTech entities aim to develop innovative products for climate risk insurance for the agriculture sector. For example, El Norte Seguros (underwriter), Munich Re (reinsurer) and S4 (AgTech/index design) have partnered to offer a drought index cover; however, the extent to which it reaches the inclusive insurance market is unknown. Some premium subsidies for climate risk insurance were provided at federal and provincial levels, but most farmers discontinued their coverage when subsidies ended, with a retention rate of only **25%**.



Property insurance for household goods is available but focused mainly on fire-related hazards. Coverage for geophysical hazards such as earthquakes and flooding is inadequate.

Net written premiums by product line fiscal year 2020-2021 (ARS billions)



Source: Argentina, Superintendencia de Seguros de la Nación, Situación del mercado asegurador (Buenos Aires, 2021).

Disaster risk financing:⁵³ Status



Disaster data, information and risk assessments⁵⁴

No systemic efforts have been undertaken to collect and evaluate data on disaster risk vulnerability and resulting damages or costs. There are no official probabilistic risk assessment methodologies and no database or published register of emergencies or disasters. Official data on disaster impacts are inconsistent and in most cases unpublished, and most of the time, studies depend on data provided by international organizations. Examples of this external data include:

- A **National Disaster Preparedness Baseline Assessment** conducted by the **Pacific Disaster Center** in 2020, which includes a risk and vulnerability analysis.⁵⁵
- Detailed damage evaluations conducted by the **Economic Commission for the Latin America and the Caribbean (CEPAL)** after the 2015/2016 El Niño event and the 2003 Santa Fe flood.⁵⁶

Some positive steps have been taken towards developing better data and information, including:

- The launch of an Early Warning System by the **National Meteorological Service (Servicio Meteorológico Nacional, SMN)**, which has made more scientific information available for disaster risk assessment
- The design and launch of earth information satellites by the **National Space Activities Commission (Comisión Nacional de Actividades Espaciales, CONAE)**, which has made more scientific data available. A special team within CONAE has been created to make use of the data during emergencies.

Existing legal and institutional frameworks and policies

The **National System for Disaster Risk Reduction and Civil Protection (Sistema Nacional para la Gestión Integral del Riesgo, SINAGIR)** was created under **National Law No. 27287** in 2017. SINAGIR provides institutional stability and a favourable environment for the development of disaster risk financing approaches. Using a multisectoral approach, it has convened advisory councils made up of representatives from civil society, government, science, technology, health and the private sector.

National Center for Disaster Risk Reduction (CENARRID) was established in 2018. CENARRID seeks to sustain comprehensive disaster risk management as a State policy, giving it priority on the national agenda. The initiative deepens the objectives of safeguarding life, property and infrastructure at all times through public policies aimed at preventing and reducing damage. It is an institute that seeks to promote training and research in everything that makes comprehensive risk management and is based on two pillars, the academic and the scientific.⁵⁷

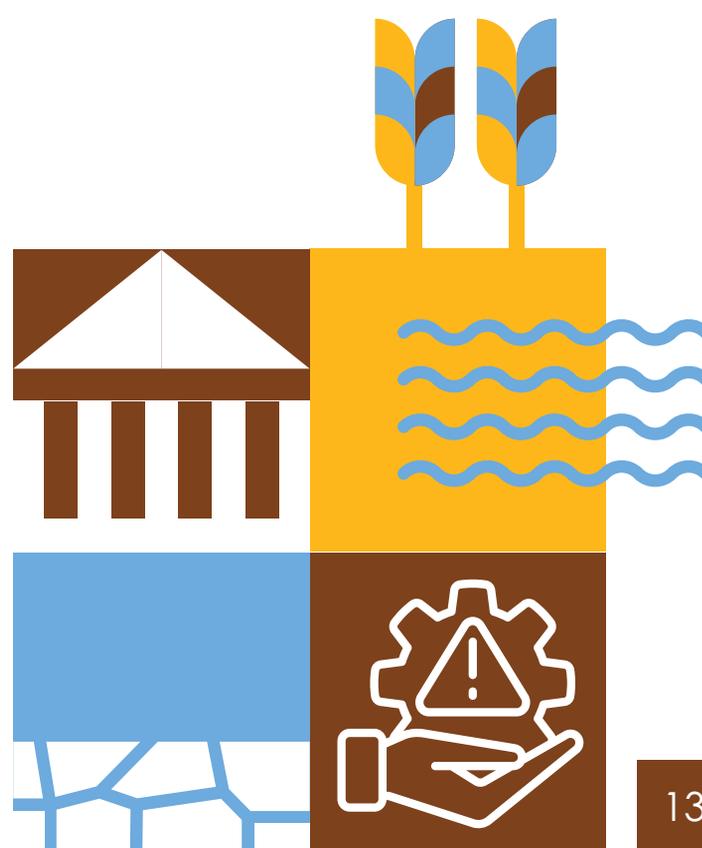
Key bodies within SINAGIR include:

- The National Secretariat of Civil Protection, which serves as the Executive Secretary for SINAGIR.
- The National Council, whose purpose is to design, propose and implement public policies for integral risk management at a national level.
- The Federal Council, which includes representatives from the country's different government levels to promote regional integration. The inclusion of the Federal Council means provinces in Argentina now have institutional mechanisms for participation in national disaster risk reduction policies.
- The Emergency Alert and Monitoring Centre (SINAME), a risk management tool that enables mapping and observation of hydrometeorological threats and the exchange of information in order to monitor potential adverse situations in the country.
- The Scientific and Technical Network for Comprehensive Risk Management (Red de Organismos Científico Técnicos para la Gestión del Riesgo de Desastres, GIRCyT Network), which seeks to promote the generation, transfer and systematization of scientific and technical risk management information to facilitate decision-making in threat scenarios.

The National Plan for Disaster Risk Reduction 2018–2023 (**Plan Nacional para la Reducción del Riesgo de Desastres, PNRRD**) was created by the National Secretariat of Civil Protection and contains short-, medium- and long-term strategies to reduce risks and ensure the security of the population.

Other relevant policies and initiatives:

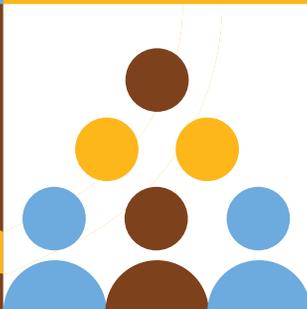
- The **ARISE**⁵⁸ Argentina Network was established in June 2021, with a membership that includes civil society and private sector institutions, including insurance companies.⁵⁹
- The 2020 **Nationally Determined Contribution (NDC)**, required under Argentina's commitment to the 2016 Paris Agreement, highlights disaster risk management as a transversal policy that the country plans to pursue. It includes objectives on generating capacity and optimizing financial and risk transfer instruments.⁶⁰
- **The Round Table for Sustainable Finance** was established in 2020 as a first step in formulating a National Sustainable Finance Strategy. The Round Table includes objectives on improving public and private sector actors' capacity to manage climate change risks. It is coordinated by the Ministry of Economy and includes the SSN as a permanent member.⁶¹



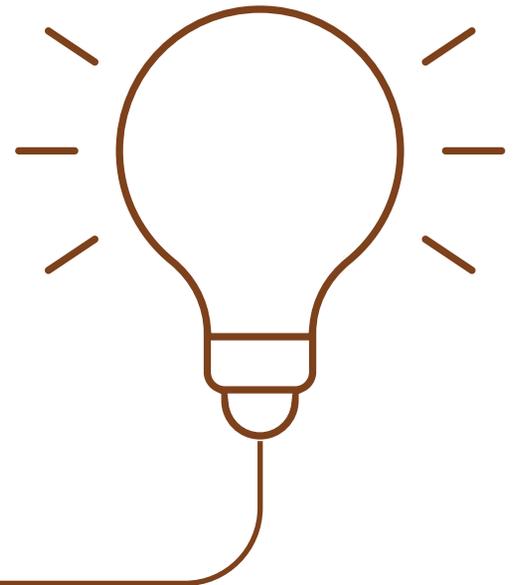
Existing disaster risk finance mechanisms and instruments

According to the Pacific Disaster Center, “Disaster financing remains a challenge, due to incomplete funding of contingency budgets, shallow insurance penetration, and poor access to affordable disaster loans.”⁶² Known financing mechanisms include the following:

- **FONAE** (National Emergency Assistance Fund), created under Law No. 27287, consists of a trust, for which a contract with the National Bank (Banco de la Nación) has been signed. A [Procedures Manual](#) was drawn up with the Bank and is pending the approval of the Cabinet of Ministers.
- **FONGIR** (National Fund for Integrated Risk Management), also established under Law No. 27287, is a Budgetary Fund created with the goal of financing projects exclusively aimed at preventing or reducing risks. However, no public policy strategy document exists to guide its implementation.
- **A contingent loan** for natural disaster emergencies was signed with the Inter-American Development Bank in 2019, facilitating access to up to **\$300 million** in case of earthquake or flood.⁶³



Way forward for inclusive insurance and risk financing



Developing successful inclusive insurance and risk finance requires three components:

1

a better understanding of the market

2

a supportive enabling environment

3

a stronger offer from suppliers that develop better access for individuals, institutions and government

The following recommendations are based on these three criteria.

1

Understanding the market for inclusive insurance and risk financing

The existence of demand for inclusive insurance products and for risk financing tools for government

1.1

Insurance penetration and inclusive insurance outreach are low compared to other countries in the region, and information on consumer demand for insurance is lacking.

Support the development of public and private demand information.

- On the public good level, SSN and GTMS should conduct a detailed market research study to understand the needs, perceptions and motivations of inclusive insurance target markets.
- A system should be put in place to update this information on a regular basis.
- At the private good level, larger insurers should be encouraged to invest in internal market research teams, especially for inclusive insurance target segments.

1.2

Awareness and trust in insurance services and insurers is believed to be low.

Build trust and awareness of insurance services and products.

- SSN, policymakers and donors should leverage the National Financial Education Plan to raise public awareness of insurance services and inclusive insurance products.
- The Ministry of Economy, working with insurers, could:
 - » Build greater awareness of health and climate insurance, so consumers understand product terms and conditions and coverage at the point of distribution
 - » Embed financial education within the customer user journey
 - » Develop financial education programmes for emerging, low-income customers and other vulnerable groups (such as small and medium scale farmers) to increase their understanding of risk management products and procedures, as well as their awareness and understanding of climate risk insurance.

1.3

Basic disaster data exists, but it is dispersed and limited, and requires better disaggregation to be useful for understanding the need for risk financing.

Systematize and make accessible disaster information to insurers, reinsurers and disaster risk professionals.

- To make the most of data already collected by various networks and platforms, such as the GIRCyT Network and SINAME, records and databases of risks and disasters should be built, leveraging the private sector's historical information on disaster impacts.
- The Ministry of Finance could assist with capacity development of CENARRID in line with Law No. 27287. Other areas of development could also include:
 - » Work on damage quantification methodologies that are accessible to non-specialist audiences and allow for unified figures on loss of life and economic losses due to disasters
 - » Integrate existing provincial information and strengthen provinces' capabilities to elaborate data on their own, e.g., through the creation of risk maps that could be replicated elsewhere.

2

Enabling environment for inclusive insurance and risk financing

The need for legal, regulatory, policy and macro-level frameworks to support the development of inclusive insurance and disaster risk financing

Regulatory and policy framework for inclusive insurance

2.1

Although a specific microinsurance regulation is in place, only a handful of insurers have plans to offer microinsurance.

Support the continued development of an enabling inclusive insurance regulatory framework.

- SSN should conduct regular workshops with industry on ways to work within the existing microinsurance regulatory framework and should frequently gather feedback from the industry on how the regulatory environment can continue to improve. This could be facilitated by the Ministry of Finance or GTMS.
- A Regulatory Impact Assessment should be conducted on Resolution 126/2018 to assess the progress made since its implementation. This will help policymakers to understand the actual impact of policies and regulations aimed at enhancing microinsurance effectiveness and outreach.

2.2

Insurance objectives are included in the ENIF.

Develop concrete actions for increasing access to insurance.

- Within GTMS, progress to date should be assessed and a concrete action plan should be developed for achieving insurance objectives under the ENIF.

Disaster risk assessments and fiscal impact

2.3

SINAGIR provides institutional stability and a favourable environment for insurance market development.

Involve the private sector in SINAGIR through an open and inclusive approach.

- Involvement and collaboration between SINAGIR and the private sector should be deepened.
- Through ARISE, public and private sector bodies should exchange experience on disasters.
- A more inclusive approach should be adopted by including a greater variety of actors in the SINAGIR system. For example, agricultural sector actors could share lessons learned with companies aiming to tackle other types of hazards and exposures.

2.4

There is no national risk assessment strategy or methodology.

Develop a federal risk assessment strategy and methodologies.

- The Actuarial Association, working with SMN and CONAE, could develop an accessible and comprehensive probabilistic risk methodology that could ensure sufficient calculations on which to base dialogue with the economic sector. This could include provincial data and information development, as well as a unified methodology to assess damage after disasters.
- Instruments to assess and quantify contingent liabilities associated with disasters should be developed.
- SINAME could support both these actions.

2.5

Argentina shares risk conditions with several Latin American countries, in particular with regard to vulnerabilities.

Learn from risk finance strategies in other Latin American countries that share similar risk conditions.

- SINAGIR, together with the Pacific Disaster Center and CEPAL, among other relevant players, should analyse in depth the risk finance strategies of countries such as the Dominican Republic, Mexico and Peru to help build a base for public policy.
- Lessons should be learned from regulations, policy or other macro-level frameworks on inclusive insurance and risk finance in other Latin American countries.
- A baseline for public policies on risk finance in Latin America should be developed to provide important context for the region.

3

Supply and distribution of inclusive insurance and risk financing tools

The existence of inclusive insurance and risk financing products and tools, along with providers to offer them.

Inclusive insurance supply and distribution

3.1

Climate risk insurance products are limited to crop-hail insurance for the agriculture sector within specific geographical areas. Insurers find it challenging to design a climate risk product focused on flood and droughts.

Support the development of coverage for other climate disaster risks such as flood and drought insurance.

- Insurers should be assisted in introducing products covering a wider variety of risks, including by helping them to leverage available data and lessons from existing index insurance pilots.
- The donor community, among others, should support insurers in expanding geographical offerings beyond the central area of Argentina, e.g., to the north-western provinces such as Chaco, where cotton agriculture is prevalent.
- Technology should be used more effectively, for example through exploring smart agricultural technology (such as satellite data), to collect information on the frequency of climate disaster events, which can then be used to design appropriate climate risk insurance solutions like index-based insurance.

3.2

Government financial assistance programmes subsidizing insurance premiums are not sustainable in the long term.

Improve affordability of climate risk insurance products, specifically for small and medium farmers.

- FONAE and FONGIR should ensure subsidy funds from the public sector are smart, have a clear exit strategy to ensure long-term sustainability and are focused on filling out market failures.
- The Milliman GAIN programme for actuarial capacity-building should be supported to enable insurers to design and price a variety of more affordable coverages for small and medium farmers.

3.3

Connectivity and digital infrastructure has progressed in recent years and a working group on insurance and insurtech has been established.

Support the implementation of digital technologies and insurtechs.

- The Insurance and Insurtechs Innovation Table should be empowered to conduct a study on insurtechs in Argentina and the opportunities they provide to support and facilitate inclusive insurance.
- Tech Hacks, contests and other similar outreach efforts should be implemented.
- SSN and GTMS should hold a workshop on ways to implement the regulations on digital distribution of insurance (Resolution 219/2018).

Existing disaster risk financing mechanisms and instruments

3.4

Disaster financing remains a challenge, due to incomplete funding of contingency budgets, shallow insurance penetration and limited access to affordable disaster loans.

Develop a broad disaster risk finance strategy.

- SINAGIR should be supported to explore a rational, multi-layered approach to risk financing, including fiscal allocations, reinsurance, capital markets, risk transfer, donors and other risk financing options.
- UNDP IRFF could help to develop a formal risk financing strategy, including collecting and studying available historical data and building a risk model of future events.
- The Ministry of Economy should be supported in building a strategy to develop and implement the FONGIR fund through the creation of a public policy strategic document similar to FONAE's Procedures Manual.
- An activation mechanism should be established within the FONAE Procedures Manual to guarantee that funds can be spent in emergencies.

3.5

A vast amount of scientific knowledge on natural hazards exists to support decisions about where to aim in developing risk transfer mechanisms.

Develop a risk transfer strategy based on existing scientific knowledge and data about natural hazards.

- The Ministry of Economy and SMN could work together to prioritize disasters due to hydro-meteorological phenomena based on their recurrence and impact.
- Hydro-meteorological phenomena data should be disaggregated into extensive and intensive risks in order to inform the risks that are best addressed by risk transfer.
- Other types of intensive risks should be explored and market opportunities for the insurance industry should be examined, such as in the case of earthquakes and ash falls after volcanic eruptions.
- Pilots for specific localities should be developed, taking into consideration scale and type of hazard.

Endnotes

- 1 World Bank, "Argentina Country Overview", April 2022. Available at <https://www.worldbank.org/en/country/argentina/overview>.
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Acknowledgements

Author

Microinsurance Centre at Milliman (Katie Biese, Queenie Chow, Jemma Maclear, Michael J. McCord, Merideth Randles and Mariah Mateo Sarpong) based on the full diagnostic report written by Pablo Cortinez, Gabriel R. Bizama and Martín Demaria (consultants)

Coordination and review

María Eugenia Di Paola, María Carolina Robles and Paola Bohorquez (UNDP Argentina)

Editing and peer review by UNDP IRFF

Jan Kellett, Lauren Carter, Russell Ivan Leith, Miguel Solana and Lothar Mikulla

Copy editor

Justine Doody

Graphic design

Nattawarath Hengviriyapanich

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