access to insurance initiative

Insurance and the Sustainable Development Goals

Why it matters and how data can help

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MAR 2021

POLICY NOTE

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This policy note makes a case for why insurance matters to achieving the Sustainable Development Goals (SDGs). It argues why data is essential to ensure that insurance gains a fixed place in development toolkits. The note sets out the Key Performance Indicators (KPIs) that can be tracked to capture the link between insurance and the SDGs, starting with nine SDGs out of the full 17, where there is the strongest potential for insurance to make an impact. The KPIs support efforts to measure the contributions of the insurance sector to the SDGs, for setting aspirations, and as a basis for dialogue and alignment among the industry, supervisors and policymakers.

The vision is threefold. First, that the role of insurance in achieving development goals is recognised and understood by all stakeholders: policymakers, development practitioners, supervisors, policyholders and the insurance industry; secondly, that policymakers and development practitioners integrate insurance in their resilience-building and development strategies; and thirdly, that the industry proactively designs and implements insurance solutions that support development goals. The KPIs are drawn from the 'KPI Reporting Project', an initiative by the A2ii in partnership with Financial Sector Deepening Africa (FSD Africa), Cenfri and Sub-Saharan African (SSA) insurance supervisors.

WHY DOES INSURANCE MATTER TO THE SDGs?

Insurance protects against unexpected financial shocks that set back development progress. Such shocks impact people's livelihoods – they deplete savings, can push people into debt and erode poverty gains. The World Bank estimates that Covid-19 will lead to between 119 and 124 million 'new poor' in 2020[1]. Furthermore, the effects are not equal. Countries with stronger safety nets and healthcare are faring better. Women, MSMEs and the informally employed, people dependent on tourism and remittances, rural communities with less hospital access, are faring worse.

Insurance builds resilience. Insurance has its origins in a real need – households and businesses looking to protect themselves, their families and livelihoods from unforeseen financial difficulties. Insurance, by paying out a sum of money upon death, disease, natural disasters, and destruction of assets, transfers risk and acts as a buffer against adverse consequences of such events. The know-how can also be put to much broader use: Insurance practitioners can advise governments on risk financing and devise ways to manage risk on a national scale. Insurers as corporates and investors can also play their part by making investment and business choices that contribute to more resilient communities.

1 See https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021

Insurance matters to the Sustainable Development Goals. It can plug gaps in social safety nets, provide better working conditions and prevent households from falling (back) into poverty. When integrated with other measures, it is all the more powerful. For instance, combined with savings, loans, payments and remittances, it can build financial health, and help businesses grow and innovate. Alongside risk reduction measures, it can promote more sustainable farming, housing and living conditions. Insurance is also widely applicable as it can be tailored to protect against different risks at different levels. It can be customised to specifically cover, for example, specific risks faced by women or MSMEs. Insurance deployed at the macro level[2] can help build resilience of governments.

WHERE ARE WE TODAY?

Insurance has played an important role in supporting policy objectives. Compulsory motor insurance was introduced to encourage road safety and ensure that road accident victims would obtain compensation. In India, Thailand and the US, national-scale agricultural insurance schemes help farmers weather the volatility of agricultural business. Japan, Turkey and some states in the US have long had earthquake and other disaster insurance mechanisms in place. In the realm of poverty eradication, many insurance supervisors have taken measures to promote the growth of inclusive insurance, including microinsurance[3].

Yet, insurance is still underrepresented in international development fora. The SDG indicators largely do not capture insurance metrics, even where the SDG target implies that insurance is included. A case in point: insurance is only explicitly mentioned once in the SDGs under Target 8.10, and even so does not have a corresponding indicator[4]. It is not yet included in key global indices on financial inclusion. Locally, it is not yet prevalent in national development plans and financial inclusion strategies. Many stakeholders still see insurance as a luxury for low-income households, or fraught with too many challenges, such as lack of awareness, to be scalable or achieve tangible impact. Government involvement is confined largely to target-setting or blunt instruments such as premium subsidies and compulsory product offerings.

The tide is slowly turning, as recent global development challenges have brought insurance to the fore. Climate change has ignited interest in disaster risk financing, and with it, climate risk insurance. The pandemic forced highly publicised debates on how insurers have responded to policyholders in a time of crisis[5]. Globally, platforms have been set up to bring together key stakeholders, such as the Sustainable Insurance Forum (SIF), Insurance Development Forum (IDF), and the United Nations Environment Programme Finance Initiative's

2 Macro-level solutions: These solutions aim to protect directly the budgets of national or local governments and reduce the burden after a disaster. The government is the policyholder and beneficiary of the insurance policy (A2ii, 2019).

3 See the A2ii Inclusive Insurance Regulations Map, a collection of existing inclusive insurance regulation and regulation which supports inclusive insurance sourced through A2ii's research, work and interaction with supervisory authorities worldwide.

4 Also see SDG Target 5.a and SDG Target 1.4.

5 An A2ii policy note on insurance supervisors' and policymakers' Covid-19 policy response and strategy will follow in 2021.

(UNEP FI) Principles for Sustainable Insurance Initiative. The International Association of Insurance Supervisors (IAIS) is a founder and key partner of the SIF and has been working to embed a stronger focus on climate risk and sustainability among the insurance supervisory community.

HOW DO WE TRANSLATE DIALOGUE TO ACTION?

Policymakers, supervisors and the insurance industry need to arrive at a joint vision on how insurance can be used to support development goals. The SDGs, as the global framework for development, provide the common language. In partnership with UNEP FI, leading global insurers are working on the Insurance SDGs (iSDG) initiative to collectively articulate from industry lenses how the sector can contribute to a more sustainable future.[6] Together with the rest of the aforementioned global platforms, this is a positive step towards global consensus, at least on a high-level vision that can serve to align and motivate all stakeholders towards taking action.

The joint vision needs to lead to concrete and practical solutions. This also means developing solutions that consider national policy priorities and market realities, which vary significantly between countries. Insurance supervisors are well placed to act as a bridge between stakeholders, as they have a balance of technical, market and policy understanding. Supervisors can support policymakers in identifying where insurance can be most impactful in their respective policy areas, and crucially, in a manner that is cognisant of both the potential and limits of insurance. Supervisors can actively guide the insurance industry on how to direct their initiatives in line with national development efforts. Supervisors are themselves a gatekeeper: Through the setting of requirements and product approvals, they wield significant influence on whether and how new insurance solutions can be rolled out.

Evidence and data are essential. This is not only to ensure that any high-level vision or concrete solutions are sound, but also to obtain the buy-in of key decision-makers, whether within policymakers, industry or within the supervisor. Concrete metrics give a more precise picture of the industry's current contribution, what has been done well, as well as what the industry can realistically aspire to do. Not all risks are insurable, and transparency from insurers and insurance supervisors on this is important. This further facilitates identification of best practices and better target-setting. Unfortunately, even raw data such as insurance uptake and access, product line data and disaggregated data by target groups are lacking today, let alone contextualised data such as asset allocation data based on environmental, social and corporate governance (ESG) considerations[7].

6 See Swiss Re's 2020 writeup 'Sustainability leadership in insurance: Harnessing insurance for the SDGs' and watch the webinar here: https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/sustainability-leadership-insurance-sdg.html

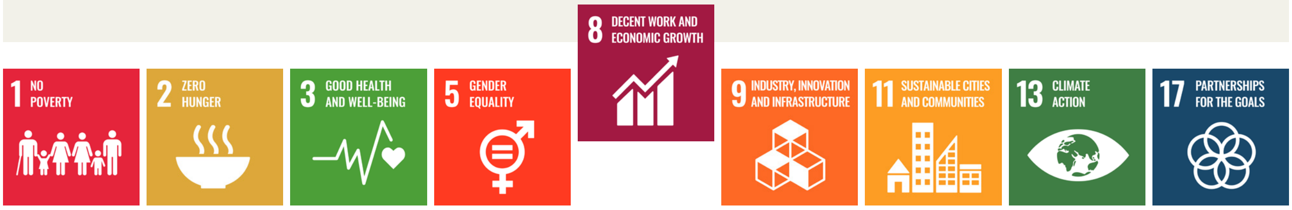
7 See 'The Insurance Sector's Contribution to the Sustainable Development Goals (SDGs)' (World Bank, forthcoming)

Data and evidence are the key missing pieces in a vicious cycle: the less insurance data is made available, the smaller the pool of evidence, the less decision-makers are able to grasp the impact of insurance on development goals, thus the more insurance will continue to be underused as a development tool. Insurance supervisors, policymakers and the insurance industry can join forces to take the first step towards breaking the cycle by collecting the necessary data.

WHERE DOES OUR WORK COME IN?

The A2ii, in partnership with FSD Africa, Cenfri and under the guidance of a Steering Group of SSA insurance supervisors (Ghana, Kenya, Malawi, Mauritius, Uganda and West and Central Africa (CIMA), chaired by South Africa), are currently working on the **KPI Reporting Project.** The project aims to help supervisors collect and analyse better data in carrying out their mandates and objectives, including aligning the insurance sector with the SDGs[8].

THE SUPERVISORY KPIS LEXICON



* An interactive and searchable public directory of KPIs
* Lists KPIs that insurance supervisors can collect to measure four 'pillars': prudential soundness, market conduct, insurance market development and the link between insurance and the SDGs

Prudential Pillar | Market Conduct Pillar | Market Development Pillar | Sustainable Development Goals Pillar

* A reference list for insurance supervisors and a basis for dialogue and idea generation for supervisors, industry and policymakers
* Accessible here: **Supervisory KPIs Lexicon**

8 A list of reference KPIs (Supervisory KPIs Lexicon) and an implementation guide on applying the KPIs will be developed for each 'pillar': prudential soundness, market conduct, insurance market development and the link between insurance and the SDGs. For more information on the project, see the full background paper on the project here: https://a2ii.org/en/knowledge-center/monitoring-and-kpis/evolving-insurance-supervisory-mandates-in-sub-saharan-africa-implications-for-data-practices

Under the SDG pillar, a list of KPIs mapping insurance to nine SDGs has been developed. These nine selected SDGs were selected based on a few considerations: where there has been evidence of impact, where some insurers have mapped their initiatives, where some supervisors have started collecting data, and where global stakeholder discussions have focused[9]. These SDGs are a good starting point for insurance supervisors and policymakers to consider which SDGs are most relevant to their jurisdiction and policy priorities, and also for which SDGs insurance supervisors could begin collecting data.

The KPIs for the SDG pillar are divided into 3 categories, according to the purpose for which they can be used: Impact Story, Products, Corporate Citizen. 'Impact Story' picks out data that illustrate where, why and how insurance supports efforts towards the SDGs, while 'Products' and 'Corporate Citizen' set out, in concrete terms, how much the insurance sector currently contributes and in which way.

IMPACT STORY

Data illustrating impact of insurance on the SDG. Supervisors can use these to support engagement with policymakers. These KPIs can also be used as starting points for research where the evidence is lacking. These KPIs illustrate:

- Which segments and how many people are exposed to risk preventing them from achieving SDGs?
- What are the risks they face that are insurable but are under- or not being insured?
- How large is the need in human or financial terms? What is the protection gap?
- What evidence is there that insurance can help them cope?

PRODUCT

KPIs measuring to what extent insurers are contributing to SDGs via relevant insurance products and services. Supervisors can use these to measure the state of play and set aspirations jointly with the industry. Industry practitioners can also refer to the list as a base for generating ideas for potential solutions. These KPIs illustrate:

- Which target groups and product types are relevant to the SDG
- Uptake, value, affordability, quality and accessibility of the product concerned

CORPORATE CITIZEN

KPIs measuring to what extent insurers are contributing to SDGs beyond product provision and underwriting i.e. as an investor, employer, economic agent, risk expert, convener and a business overall. Similar to Product KPIs, supervisors can use these to measure the state of play and set aspirations jointly with the industry. Industry practitioners can also refer to the list as a base for generating ideas for potential initiatives.

9 For example, see: (i) 'The Insurance Sector's Contribution to the Sustainable Development Goals (SDGs)' (World Bank, forthcoming) (ii) 'Mutual Microinsurance and the Sustainable Development Goals: An Impact Assessment Following Typhoon Haiyan' (Cambridge Institute for Sustainability Leadership, 2019) (iii) 'Inclusive Insurance and the Sustainable Development Goals' (GIZ, 2017) (iv) UNEP PSI initiative and Swiss Re's 2020 webinar on insurance and the SDGs here.

MAPPING INSURANCE TO THE SDGs

The following section goes into each of the nine SDGs covered and makes a case for why and how insurance matters to each policy area. It provides selected examples of data and KPIs that can be collected under each category. The full list is available on the Supervisory KPIs Lexicon. Insurance supervisors can use the following section as a basis for dialogue with policymakers and the industry.

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth

SDG 8 is the only SDG where insurance is explicitly mentioned. As a private risk transfer tool, insurance provides an option for those without the privilege of formal jobs and social security benefits. In a sense, insurance catches segments that fall between cracks in social protection systems, such as gig economy workers, domestic helpers and construction workers, many of whom are also rural or overseas migrants who may be excluded from healthcare and social security. It is all the more impactful when used together with savings, loans and remittances.

In developing economies where SMEs play a key role as economic drivers, insurance is instrumental for increasing business resilience, spurring business investments and, thereby, contributing to enterprise growth. Covers such as fire, flood and business interruption insurance can sustain their ability to continue operating and paying their employees through financial difficulties. Insurance facilitates access to credit so that businesses, whether a shipping conglomerate or a mom-and-pop shop, could invest in more assets, technology and research and development, which allows them to innovate, update and expand their business and, consequently, create new jobs.

Insurance firms also themselves create jobs, generate revenue and contribute to economic growth. They can ensure decent employment for their employees, agents and brokers. In inclusive insurance initiatives, insurers often rely on community organisations and representatives to promote and educate on insurance. This creates training and income-earning opportunities.

How can this be translated into concrete metrics?

IMPACT STORY

- Proportion and number of people in informal, precarious or risky employment, and lacking financial protection
- How people in informal, precarious or risky employment currently prepare for and cope with financial shocks and the adequacy of these strategies
- Protection gap for vulnerable households highlighting risks that are not covered by existing social safety nets
- Evidence comparing between insured, uninsured or informally insured groups in coping with the aftermath of a financial shock

PRODUCT

Number, types, uptake and performance of products

- Designed to encourage financial health and household resilience overall e.g. products integrated with other financial services
- Designed to protect MSMEs e.g. fire or property cover, motor, agricultural or business interruption insurance, employers/public/product liability insurance, cyber insurance
- Designed for people in precarious, informal or risky occupations or lacking financial protection e.g. informal and gig economy workers, migrants, factory or farm workers dealing with heavy machinery who are often excluded, people with disabilities, MSMEs, care workers, domestic helpers. Product examples include workers' compensation, disability or personal accident covers.

CORPORATE CITIZEN

- Contribution of insurance sector to GDP and employment as a whole, as well as among disadvantaged communities
- Number of insurers who include SDG 8 as an internal target or carry out initiatives in line with SDG 8
- The extent to which insurers have equal opportunity measures in place for minorities, persons with disabilities, economically disadvantaged persons

1 NO POVERTY

No Poverty

Insurance can help prevent people from falling into poverty and escape the poverty trap. Financially vulnerable people often work in high-risk jobs or low-salary occupations and are often one disaster away from poverty. For them, an illness, death, an accident, a fire or a natural disaster is much more damaging, compared to a counterpart who has enough savings or a stable income to buffer the sudden expenditure. Insurance can alleviate this by providing a contractually enforceable pay-out when such an event happens – the key advantage of formal insurance over informal insurance. For instance, health insurance can help cover medical costs, a common reason why people fall into poverty. Agriculture insurance can help tide farmers through crop failures. When used in conjunction with other tools such as savings, loans, and income generation, insurance can build financial health and resilience. As such, insurance can also help sustain national social and economic development efforts to break the poverty cycle, thereby supporting efforts towards reducing inequalities (SDG 10).

How can this be translated into concrete metrics?

IMPACT STORY

- Proportion and number of people in the jurisdiction that fall under the national thresholds for poverty, low income or financial vulnerability; ideally segmented by groups e.g. age, occupation, gender, education, single breadwinner-households, number of dependants, income bands
- How such financially vulnerable segments currently cope with financial risk and shocks, and the adequacy of these strategies
- Protection gap for vulnerable households focusing on key risks faced or known risks such as mortality and health
- Demand of low-income groups for insurance e.g. trust and perception, percentage that identify insurable risks as their biggest challenge

PRODUCT

- Number, types, uptake and performance of inclusive insurance or microinsurance products; either all or specific product lines e.g. life, hospitalisation, personal accident, agriculture or property

CORPORATE CITIZEN

- Industry initiatives supporting research and understanding of low-income communities such as demand and needs surveys, protection gap research
- Industry initiatives of insurers collaborating with policymakers on poverty reduction initiatives e.g. national insurance schemes

2 ZERO HUNGER

Zero Hunger

Insurance can support risk management in the food production value chain, thereby being a key component of measures to achieve food security. The UN World Food Programme notes that smallholder farmers produce most of the world's food but tend to be food insecure themselves. Agricultural insurance can help smallholder farmers build resilience against losses from adverse events, while also strengthening access to credit and incentivising investment. Business interruption insurance can cover disruptions in food processing and transportation. Property insurance can protect food production facilities and their own homes. In the long run, insurance encourages farming and food production that is more sustainable, productive and resilient to disaster and climate-related risks (SDG 13). This further enables more stable livelihoods for smallholder farmers.

➲ How can this be translated into concrete metrics?

IMPACT STORY

- Proportion of food consumption in a country that is provided for by smallholder or family farming and the insurance protection gap in the sector
- Risks faced by smallholder farmers and agribusinesses that could potentially be insured by the private insurance market
- Crop production protection gap e.g. proportion of agricultural crop production not insured by value or planted area); amount and proportion of uninsured losses

PRODUCT

Number, types, uptake and performance of

- Products/insurance schemes benefiting (smallholder) farmers. Can be individual policies held by farmers, group policies held by e.g. public agencies, department of agriculture or cooperatives.
- Products protecting organisations that provide key services to farmers, such as MFIs, farmer cooperatives, credit unions.
- Climate or disaster risk insurance protecting agricultural communities and food production (see SDG 13).

CORPORATE CITIZEN

- Description of instances where insurers or the industry contribute risk expertise around food security challenges e.g. conducting research, contributing to discussions on food security policy

3 GOOD HEALTH AND WELL-BEING

Good Health and Well-being

Insurance supports good health outcomes. Health insurance lowers, or even removes, financial barriers to obtaining healthcare. Insured households are less likely to incur devastating out-of-pocket health expenditures, whereby insurance also prevents poverty (SDG 1) and hunger (SDG 2). It is generally accepted that compulsory, pooled prepaid schemes are the most effective way forward for ensuring low-income households have access to healthcare. However, private, or voluntary, health insurance (VHI) products, which include hospital cash plans and community-based insurance, can be an effective complement, especially where such compulsory schemes have not been fully established[10]. Importantly, the increasing use of digital technology in health insurance has further reinforced its role in promoting good health outcomes. Innovations such as telemedicine have helped expand access to healthcare, as have devices that track health data and reward policyholders for healthy habits. Beyond the household level, insurance can contribute to better healthcare systems through products that support risk management along the health delivery value

10 Community-based health insurance schemes can contribute to community development and increase local accountability of health care providers. Hospital cash plans are simple to administer and commonly lead to low claims rejection rates. For a more complete understanding see WHO resources here: https://www.who.int/health_financing/strategy/risk_protection/en/ https://www.who.int/news-room/fact-sheets/detail/community-based-health-insurance-2020

➲ How can this be translated into concrete metrics?

IMPACT STORY

- Proportion of people covered by private health insurance vs. public health insurance/government healthcare vs. not covered
- Gaps in existing healthcare coverage that could potentially be insured by the private insurance market
- Out-of-pocket-payments as a share of total health expenditure in the country
- Health protection gap: The difference between total or catastrophic health expenditure borne by patients vs. Amount covered by public health insurance and/or private health insurance; projections of health protection gap considering important variables such as public finances and aging/ elderly care trends

PRODUCT

Number, types, uptake and performance of products that

- Address gaps in local healthcare system, public health insurance, or prevalent private health insurance e.g. temporary disability/income protection for informal workers, SMEs and migrant workers, low-income, rural and indigenous communities, people with pre-existing conditions or disabilities, pandemic cover, hospital cash insurance
- Support risk management in health services delivery e.g. vaccine delivery, insurance for hospitals
- Encourage health seeking or preventative behaviour e.g. bundled with telemedicine and other services, plans that reward healthy behaviour, covers last-mile costs such as ambulance fees

CORPORATE CITIZEN

- Description of instances where insurers or the industry lends their health risk expertise in other ways beyond their core business e.g. health awareness campaigns, contributing expertise on predictive modelling and systemic health risk to healthcare policy formulation

5 GENDER EQUALITY

Gender Equality

Insurers can support gender equality by offering products and business models that consider gender differences, thereby increasing uptake of insurance by women and strengthening women's ability to participate in the labour force. Women and men tend to work in different employment sectors, and women often work in more vulnerable sectors – amidst the Covid-19 pandemic, women are overrepresented as frontline healthcare workers and as carers at home for children and the elderly. Most single parents in the world are also women. Such gender roles, on top of biological differences, shape the risks that women face – and insurers can play their part by being sensitive to the diversity of needs. For instance, insurers can ensure the availability of health insurance that covers sexual- and reproductive-health services (SDG 3). In countries where there are stark gaps in personal freedoms, insurers can design distribution models that are more accessible for women. Insurers can also work toward gender equality through their own employment and human resources practices.

➲ How can this be translated into concrete metrics?

IMPACT STORY

- Which occupational groups employ the most women and the risks associated with these occupations
- Gender aggregated data on uptake of key insurance product lines e.g. life, health, income protection
- Data on the needs of women as insurance clients e.g. insurable risks, financial priorities, trust and perception of insurance

PRODUCT

Number, types, uptake and performance of

- Products that are designed to address gender-specific risks
- Distribution models designed to suit women and support women's independence and equal participation in economic life e.g. MFIs that focus on women
- Products targeting employment sectors that often mostly employ women e.g. mothers and caregivers, MSMEs, care workers, domestic helpers

CORPORATE CITIZEN

- Description of initiatives and extent to which the insurance industry engages directly with women to gather information about the risks that they face, their needs and potential insurance solutions that could provide value
- Gender pay gap in insurance sector
- Gender composition of the Boards, management and leadership positions in the insurance workforce, including in intermediaries, InsurTechs and other entities in the insurance value chain
- Description of insurers' policies and product governance in relation to integrating women's needs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation and Infrastructure

Insurance helps assume and diversify risks faced by large, medium and small businesses and large-scale infrastructure projects. Particularly in developing countries, insurance helps to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets. Insurance provides support for the development of technology, research and innovation by taking on the associated risks as well as through investment. Through its risk management requirements, insurance not only protects, but can also promote sustainable industrialisation and quality, resilient infrastructure. For instance, the widespread use of fire insurance was found to be key to the development of the textile industry during the Industrial Revolution in the UK[11] both through financial protection as well as enhanced construction standards.

11 See paper on Fire Insurance and the British Textile Industries during the Industrial Revolution (Pearson, 1992).

How can this be translated into concrete metrics?

IMPACT STORY

- Description of risk management strategies in industrial sector and large-scale infrastructure projects where insurance could play a role
- Cyber risk protection gap: Amount of cyber insurance that is economically beneficial – amount of cyber risk coverage actually purchased
- Amount and percentage of infrastructure financing gap vs. annual investments by insurers in infrastructure projects and industry/supervisory appetite to do so

PRODUCT

Number, types, uptake and performance of commercial insurance products that mitigate the risk of innovation and investment e.g. cyber insurance, political risk insurance, commercial property and asset insurance, product liability cover

CORPORATE CITIZEN

- Number of insurers who have active ESG frameworks addressing resilient and sustainable infrastructure
- Amount of investment by insurers in R&D and digitalisation
- Innovative developments in the insurance industry that could have spillover effects (e.g. data infrastructure, mobile insurance)
- Amount of investment in infrastructure projects that support economic development, industrialisation and human well-being

11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities

Insurance increases the resilience of cities and urban communities through disaster risk mitigation, and appropriate property and vehicle cover. This is important given the increasing urbanisation in emerging and developing markets. Insurance is also a source of investment for relevant projects. As experts on risk, insurers are well-placed to research and collaborate with city governments and urban communities on the risks they face, how they can respond and how to enhance overall sustainability in planning and designing cities and urban settlements.

How can this be translated into concrete metrics?

IMPACT STORY

- Human and economic impact of natural disasters on cities, quantified by number of people, number of working days lost, etc.
- City government post-disaster financing tools and expenditure, and proportion that can be transferred to insurance

PRODUCT

Number, types, uptake and performance of products that

- Encourage road safety for property and vehicle owners e.g. motor insurance, including new ways of encouraging safe driving e.g. telematics
- Require or incentivise strong construction standards or property risk management for commercial and residential buildings
- Support climate adaptation of cities and urban communities

CORPORATE CITIZEN

- Number of insurers who have active ESG frameworks addressing sustainable cities and communities
- Description of extent to which insurers lend expertise to local governments on risk identification and management in building sustainable cities
- Number of insurers with internal sustainability policies for their own office premises

13 CLIMATE ACTION

Climate Action

Insurance as part of an integrated disaster risk management framework can strengthen resilience of governments, businesses and individuals against natural disasters and protect natural and heritage ecosystems that provide key services to people. Developing and emerging countries, as well as lower-income communities, are most exposed to and suffer the most damages from climate risk. Furthermore, they have less resources available to repair and rebuild their lives after a catastrophic event. Beyond risk transfer, insurers can offer products and services that encourage consumers to adopt measures for disaster risk prevention, mitigation and reduction. Furthermore, insurers can support efforts towards long term climate adaptation. Through underwriting climate-related risks, insurers accumulate data and expertise that enables them to monitor their evolution. The insurance sector is thus well-placed to contribute expertise to national or global initiatives and help devise new climate risk solutions. Insurance firms themselves as investors and financial market actors can also build in climate resilience and adaptation considerations in their investments.

➲ How can this be translated into concrete metrics?

IMPACT STORY

- Proportion and number of households exposed to disaster or extreme weather risk/affected by climate change and other type of disaster
- Protection gap relating to catastrophe and climate related risks for vulnerable households e.g. amount and proportion of uninsured losses
- Identification of key climate related risk types and exposures in the jurisdiction and which ones can be financed via insurance mechanisms (macro, meso or micro level)
- Fiscal impact of natural disasters and estimated proportion that can be transferred to insurance
- How quickly countries recover post-catastrophe, with and without insurance

PRODUCT

Number, types, uptake and performance of products

- Considered 'green insurance' or 'climate-smart insurance' if such a definition exists in the jurisdiction
- Protecting the agricultural sector from risks impacted by climate change
- Supporting conservation of natural ecosystems and biodiversity
- Protecting households, businesses and properties in disaster-prone areas or areas affected by climate change
- Under meso-level or macro-level insurance schemes that protect either organisations that provide key services to vulnerable communities or government budgets
- Incentivising or encouraging better disaster or climate risk management

CORPORATE CITIZEN

- Number of insurers who have active ESG frameworks addressing climate risk and adaptation
- The extent to which climate risks are embedded in investment strategy and percentage of assets invested in sustainable investments (e.g. low-carbon investments; resilience-enhancing infrastructure)
- Number of insurers that comply with or are aligned with the respective regulatory frameworks on environmental/climate risk management
- Description of instances where insurers or the industry contribute climate or disaster risk expertise e.g. disaster risk mitigation education and awareness, development of new risk financing tools, knowledge-sharing such as developing open-source data on disaster risk

17 PARTNERSHIPS FOR THE GOALS

Partnerships for the Goals

Many of the initiatives outlined in the preceding SDGs will require multi-stakeholder partnerships and coordination to work. These stakeholders range from international development organisations, government and regulators, non-governmental organisations, industry players to communities themselves. The insurance sector can be a key partner in sustainable development by adopting partnership models in the delivery of their products and services. They can also actively support and participate in mechanisms that countries put in place to ensure policy coherence, such as policy and regulatory consultation efforts and multi-stakeholder dialogues. Insurance products and services can also play a role in supporting foreign direct investment, exports and remittances.

➲ How can this be translated into concrete metrics?

IMPACT STORY

- The extent to which sustainable development issues have been mainstreamed into a jurisdiction's insurance regulatory frameworks, strategies and mandates
- Description of opportunities and platforms in place for the insurance industry to contribute to national policy coordination and coherence
- Opportunities and concrete ideas for public-private partnerships in large-scale risks in the jurisdiction e.g. health, pandemic, climate risk
- Data showing the impact of insurance development on international trade, exports or foreign direct investments

PRODUCT

- Number of insurance schemes provided through public-private or private-private partnerships, and number of people reached through such partnerships.
- Number, types, uptake and performance of products supporting exports, foreign direct investment, trade and remittances

CORPORATE CITIZEN

- The extent to which the industry initiates or supports multi-stakeholder or cross-sectoral engagement on SDG initiatives
- The extent to which the industry contributes to national policy coordination and planning via the relevant mechanisms, such as participating in working groups to support relevant topics e.g. financial inclusion, financial literacy or digital economy strategies
- The extent to which the industry adopts best practices to generate SDG momentum and leadership e.g. training internal staff and embedding SDGs as part of company culture and goals

CALL TO ACTION FOR INSURANCE SUPERVISORS

The importance of insurance in building resilience of vulnerable groups against financial shocks has long been recognised. It provided the basis for the global work on inclusive insurance for the past twenty years. Despite this, insurance has been largely underrepresented in development. Today, climate change and the pandemic has underscored its significance. There is more debate and scrutiny on the role of insurance at the household and business level, as well as increasing interest to deploy insurance at the macro level through public-private partnerships and risk pooling. Insurance now has a seat at the table. More focus on concrete solutions, supported by data and evidence, is critical to translate the dialogue to action. What are the roles of stakeholders, particularly insurance supervisors?

Development practitioners, policymakers, insurance supervisors and the insurance industry all have a vested interest in substantiating the link between insurance and SDGs with sound evidence. Each stakeholder should base their roles on the dynamics in the countries where they are active. In some countries, the industry may be best placed to rally efforts, such as through voluntary sector-wide adoption of SDG measures and targets. Industry initiative has, in many cases, proven to be essential in advancing inclusive insurance. In other countries, policymakers have initiated discussions on using insurance solutions in their respective policy areas, such as disaster risk management.

The IAIS has explicitly set out sustainable development as a key theme in their Strategic Plan. Insurance supervisors may wish to consider where they could be most effective, given their respective mandates, limitations and priorities, and shape their role accordingly. Supervisors that are explicitly mandated to support government efforts in achieving the SDGs would have the most flexibility; but already within traditional mandates, supervisors are increasingly choosing to align with the SDGs. For instance, climate risk is increasingly being integrated into prudential supervision. Supervisory mandates also support the SDGs: strong consumer protection ensures that any insurance solution deployed is fair to consumers, inclusive insurance ensures that the most vulnerable consumers are not left behind, while product oversight requirements can shape innovations in the market. As a starting point, supervisors may wish to simply evaluate how the sector is currently contributing to the SDGs.

Regardless of the role the supervisor chooses to play, two relevant steps supervisors could consider taking are as follows:

1. **Pave the way to multi-stakeholder partnerships by engaging the local industry and policymakers.** Supervisors who are members of the IAIS or are active in other global platforms have access to global discussions on insurance and SDGs. Moreover, they can align relevant stakeholders by sharing the latest developments such as inclusive insurance, ESG reporting, climate-related risk and disclosure with the industry. Doing this provides a platform to discuss concrete solutions, while enabling supervisors to gauge the openness or readiness of the industry and anticipate implementation challenges. Proactively involving policymakers will help pave the way to well-coordinated initiatives and open the door to public-private partnerships in insurance.

2. **Collect the necessary data while supporting efforts to harness data across different stakeholders.** Supervisors, in carrying out their mandates, likely already generate crucial data that can inform SDG efforts. Most of the Product KPIs are derived from raw data that fall within the scope of supervisory reporting for supervision and market development purposes. These include: premiums, policies-in-force and key ratios disaggregated by product line, distribution channels or target groups, as well as a registry of products offered by insurers. Collecting good supervisory data alone would already enable supervisors to generate meaningful insights. Other stakeholders also generate relevant data, such as the national statistical bureau, industry research, or development projects. Pooling together data resources to paint a complete picture of insurance and the SDGs would be a significant step. If the data is still not adequate, stakeholders can then commission the necessary efforts to generate the data needed. Most important is that stakeholders streamline rather than to duplicate such efforts.

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