



InsuResilience

Solutions Fund

ANNUAL REPORT 2020



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Foreword

Extreme weather events and devastating natural disasters, such as hurricanes, droughts, and floods, are rising in number: the impact of human-made climate change.

In addition, the Covid-19 pandemic poses fundamental challenges to the development and economic growth of vulnerable countries. The increasing risk of both natural hazards and pandemic crises underscores the importance of having ex-ante risk financing and coping solutions in place – before disaster strikes.

Climate-risk financing and insurance, when part of a comprehensive, disaster-risk management strategy, is an effective solution that enables particularly vulnerable countries to respond more quickly and effectively to natural disasters. In order to address these issues and strengthen the resilience of poor and vulnerable people in developing countries, the G7 countries initiated the InsuResilience Initiative in 2015, which in 2017 evolved into the InsuResilience Global Partnership. The partnership aims to enable developing countries to substantially scale-up climate and disaster risk finance, as well as insurance approaches.

The **InsuResilience Solutions Fund (ISF)**, funded by KfW Development Bank on behalf of the German government and implemented by Frankfurt School of Finance and Management, fosters affordable and effective climate-risk insurance solutions for poor and vulnerable people. To scale up risk financing and insurance, ISF leverages the insurance industry's private-sector capital and expertise. This way, it actively contributes to the InsuResilience Global Partnership's vision to, by 2025, protect 500 million poor and vulnerable people against extreme weather events.

Looking back at 2020, ISF's second year in operation, the fund has made substantial progress. As member of ISF's Technical Committee, responsible for the technical oversight of all operations, allow me to highlight some of our achievements:

We **launched two Calls for Proposals** that generated worldwide interest from the private and public sector, as well as civil society. We received over 70 applications for co-financing product development of innovative climate risk insurance solutions.

We **signed five grant agreements** for product development support, spanning Latin America to South East Asia, with a funding volume of almost six million euros; the benefits of the supported insurance products are projected to reach more than six million beneficiaries by 2025.

ISF also represents an important **implementation vehicle for the Tripartite Agreement** between the German Federal Ministry for Economic Cooperation and Development, the Insurance Development Forum (IDF), and UNDP to increase resilience for climate-vulnerable countries. Frankfurt School established a **Project Coordination Unit to facilitate the process of developing risk transfer solutions** and to support project partnerships in submitting proposals for ISF co-financing.

We are actively engaging in the **mainstreaming of climate-risk analyses** and risk analytics, providing political decisionmakers with essential data for proactive adaptation strategies.

Furthermore, the German government **increased funding to ISF**, allowing us to continue the promotion and research activities for climate risk insurances.

This report highlights the activities and engagements of ISF in 2020 and shares the progress that the fund has made in strengthening climate-risk management and insurance.

I look forward to an ambitious agenda in 2021: to further strengthen the insurability of climate risks.

Fatma Dirkes
Director and Vice President,
Frankfurt School of
Finance and
Management;
ISF Technical
Committee member



"Looking back at 2020, ISF's second year in operation, the fund has made substantial progress."

Fatma Dirkes





The role of climate risk insurance in development and resilience

NEED FOR RAPID ACTION

According to aid agencies, over 90 percent of people impacted by disasters since 2010 were affected by climate- and weather-related events¹: 1.7 billion people in the past decade alone.² The negative impact of climate change is expected to intensify in coming decades. Thus, governments and societies need to prepare for natural catastrophes, such as droughts, floods, and hurricanes, to avoid the loss of lives and livelihoods. Climate impacts disproportionately hit poorer people in developing and emerging economies, especially those engaged in climate-sensitive sectors, such as agriculture, fishery, forestry, and tourism. At the same time, they possess the lowest ability to adapt and cope with these risks. Often, financial support comes too little, too late – sometimes months after disaster has struck. Many high vulnerability countries are in urgent need of climate-change-adaptation and disaster-risk-reduction support.³ Without rapid action, climate risks will threaten development gains and affect economic growth potential.

INCREASING RESILIENCE

The Covid-19 pandemic is increasing the need of people already suffering from climate-related disasters, exacerbating their vulnerabilities and hindering recovery. In fact, the pandemic is likely to push an additional 150 million people into extreme poverty by 2021, setting back poverty reduction by around three years.⁴ The pandemic also highlights the crucial role that insurance can play in ensuring resilience.

GIVING CLIMATE RISK A PRICE

Embedded in a comprehensive risk-management approach, insurance can play a critical role in strengthening resilience to climate change. Reliable and timely insurance payouts not only help people to recover faster, but also render access to finance for transformative measures. Giving climate risk a price contributes to informed decisionmaking through better understanding of risk; it also incentivises adaptation measures and fosters risk reduction to avoid future damages ex-ante. However, developing and emerging markets currently have the lowest levels of insurance penetration; they are least able to compensate for losses and provide for financial recovery. There is a strong need for innovative insurance solutions that are affordable, accessible, and better able to match supply and demand. ISF aims to increase access to climate risk insurance for the most vulnerable groups, to help them bounce back better in the face of climate and disaster risks.

90%

of people impacted by disasters
were affected by climate- and
weather-related events

150 million

additional people are likely to
be pushed into extreme poverty
by Covid-19

¹ UNDRR (2020): International Day for Disaster Risk Reduction.

² International Federation of Red Cross and Red Crescent Societies (2020): World Disasters Report 2020, Geneva.

³ Ibid.

⁴ World Bank (2020): Covid-19 to add as many as 150 million extreme poor by 2021.



About the InsuResilience Solutions Fund

ISF promotes the development of innovative and sustainable climate-risk-insurance products in developing and emerging countries. It should improve the resilience of poor and vulnerable households struggling with the impacts of climate change and natural catastrophes.

ISF was established and is funded by KfW Development Bank on behalf of the German Ministry for Economic Cooperation and Development (BMZ). The Frankfurt School is responsible for implementing the programme. The fund commenced its activities in 2018; funding operations started in 2019. ISF was set up as one of the implementing programmes of the **InsuResilience Global Partnership**. The joint initiative of G20 and V20 countries brings together representatives of governments, international organizations, the private sector, civil society, and academia to promote the development of a broad set of climate- and disaster-risk finance instruments, including insurance. The partnership's vision is to protect, by 2025, an additional 500 million poor and vulnerable people in developing countries against extreme-weather events. Through our activities, we actively contribute to fulfilment of the goals of the **Vision 2025** strategy.

OUR MISSION

Our mission is to support the development of innovative climate-risk insurance products to mitigate the effects of climate change, such as floods, storms, drought, and cold spells. Our vision is to close the protection gap by focusing on solutions for those who are disproportionately exposed to climate risks and who currently have no access to adequate risk management and insurance.

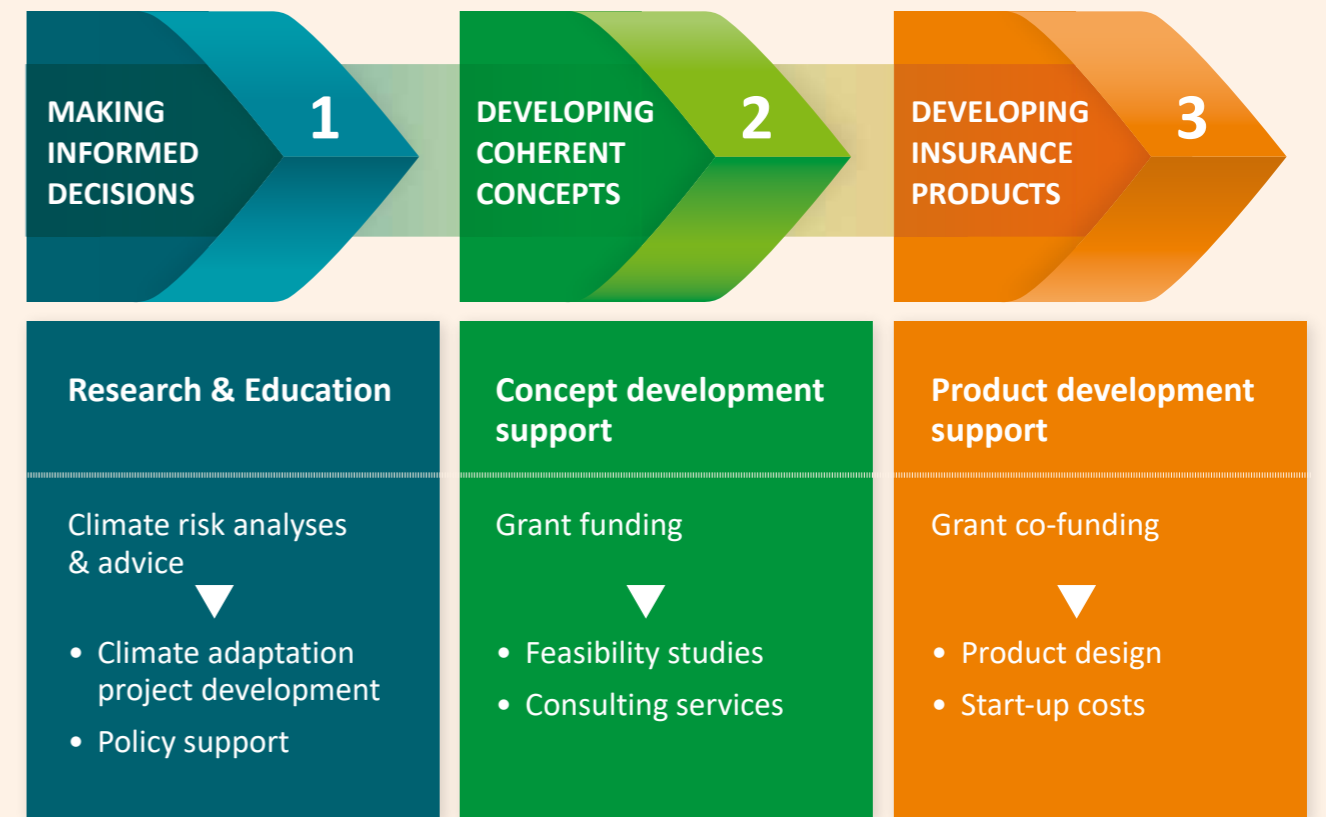
We aim to achieve this by following a value-chain approach covering all stages of insurance product development, from risk analysis through concept development, to product introduction and scale-up. With these components, ISF contributes to Vision 2025 of the InsuResilience Global Partnership. It will push for a substantial scale-up in the use of pre-arranged risk finance and insurance mechanisms, which are embedded in comprehensive disaster-risk management, thus complementing broader resilience and adaptation efforts.

LEVERAGING EXPERTISE AND CAPITAL OF THE INSURANCE SECTOR

For developing countries, access to finance will become even more difficult after the pandemic. More than ever, it will be necessary to leverage the resources available. We aim to systematically harness the expertise and risk capital of the insurance sector through all three components. Joint initiatives between local partners, companies in the insurance sector, and NGOs ensure that climate risk insurance is effective where it is needed, thus safeguarding demand and supply in the long term.

With its strong focus on partnerships, ISF's concept addresses the actual needs and support required to better protect those affected by climate and natural disasters. This is why ISF represents an important implementation vehicle for the **Tripartite Agreement**, a joint collaboration between BMZ, IDF, and UNDP to accelerate risk-management and financing solutions for 20 countries by 2025. In order to facilitate the process of developing concepts for risk-transfer solutions for sovereign, sub-sovereign and other public-sector entities, as well as to support project partnerships in submitting proposals for ISF co-financing, a **Project Coordination Unit** has been established at Frankfurt School.

THE THREE PILLARS OF ISF



1 CLIMATE RISK ANALYSIS

We conduct comprehensive climate-risk analyses that provide governments, businesses, and civil society with important data and information on climate risks. This empowers partners to identify the full spectrum of adaptation strategies necessary to build resilience.

2 CONCEPT DEVELOPMENT SUPPORT

We fund studies and consulting services to identify innovative climate-risk-insurance solutions. We provide guidance and advisory on the elements that are necessary to design and conceptualise effective insurance projects, taking into account the specific needs of poor and vulnerable population groups.

3 PRODUCT DEVELOPMENT SUPPORT

We support and promote joint product development, as well as market introduction of innovative climate-risk-insurance products that add value for the people hit hardest.



„Interview



“Climate risk finance and insurance safeguard development prospects”

The Strategic Committee is key to the governance of ISF. Together with the Technical Committee, it is part of the Steering Unit, which is responsible for the strategic and technical oversight of all ISF operations.

We have interviewed our Strategic Committee members, BMZ's Heike Henn and KfW Development Bank's Barbara Schnell, on the role of climate risk finance and insurance in development cooperation.

Dr. Heike Henn



Dr. Heike Henn
Director (ad interim) and Commissioner for Climate Policy and Climate Financing, Directorate “International development policy; 2030 Agenda; Climate”, BMZ

How can climate risk insurance strengthen the resilience of vulnerable countries and thus contribute to reaching the Sustainable Development Goals (SDGs)?

Henn: It is important to acknowledge the challenges of climate change for vulnerable countries. This is why support for adaptation and resilience to our partners is a cornerstone of BMZ efforts. Climate risk insurance can play an important role in providing fast, effective, and reliable support in the event of a disaster – sometimes even before a disaster strikes. It is therefore complementary to efforts in mitigation, adaptation, and increasing resilience through comprehensive risk management. Climate risk insurance protects against the residual risks that arise from the vulnerability that countries and communities grapple with. As part of a comprehensive toolbox, climate risk insurance can thus secure development gains and safeguard future development prospects in line with the SDGs.

To what extent will the pandemic increase the need for ex-ante crisis prevention and climate risk finance?

Henn: The global pandemic affects almost every area of life and goes far beyond a health crisis, especially in the Global South where up to 150 million more people will likely fall into extreme poverty. The number of people who will be in need of direct food aid has nearly doubled in 2020 and estimates indicate that 400 million jobs could be lost. World Bank Group has aptly labelled the major drivers of risk as the “three Cs”: conflict, climate change, and Covid-19. We are therefore trying to anticipate the increased demand for ex-ante crisis prevention and climate risk finance. We are committed to provide significant financial and tailored support to build back better from compounding risks and increase resilience. This requires new and innovative solutions. Therefore, we have already announced another ten million euros for ISF to scale-up efforts in modelling risks, and supporting the development and market introduction of new risk-financing solutions.

Where do you see BMZ fostering climate risk insurance? Are there specific areas where you would like to intensify your activities?

Henn: Germany is committed to comprehensive risk management. This means that we offer tailored support to the most vulnerable countries and communities in their fight against climate shocks and weather extremes. The InsuResilience Global Partnership and its Vision 2025 will remain the guiding framework for our contributions. We aim at investing where we can most effectively deliver on Vision 2025 in conjunction with fellow members of the InsuResilience Global Partnership. As one of the implementing programs under the partnership, ISF and its projects actively deliver on Vision 2025. We thereby also hope to contribute to a successful COP26 in the areas of adaptation and resilience.

Barbara Schnell

Climate risk finance and insurance: how does this fit into KfW's resilience strategy?

Schnell: As the German development bank, our main mission is to support our partners in attaining the SDGs and eradicating poverty. Disasters in general – and in particular climate-related disasters – are a severe threat to reaching these goals. Reducing this risk and building resilience is therefore an important element of our strategy.

We have integrated climate-risk finance and insurance into our resilience strategy at two levels. On the one hand, we assess each new project in terms of climate-related risks, and we define measures to reduce these climate-related risks as part of the project design. Climate-risk finance and insurance then serve to cover the remaining risk. On the other hand, KfW strongly supports the InsuResilience Global Partnership. Within InsuResilience, KfW, has set up a number of dedicated climate-risk insurance projects and facilities like ISF.

How can quantitative risk-related data contribute to comprehensive risk management and provide benefits for those most vulnerable to climate change?

Schnell: To begin with, we need to fully understand the risks. A thorough risk analysis based on comprehensive data helps to improve our understanding. We can take informed decisions and hopefully know how to use scarce funds for the most effective measures. With the comprehensive climate-risk analyses offered by ISF, we support our partners specifically in this area. In addition, data-based early warning and thus early action can reduce the magnitude of the dire consequences of disasters for the poor and vulnerable. The same is true for rapid insurance payouts, which allow for immediate action after a disaster. These rely heavily on data availability and quality.

What kind of support and instruments does KfW offer partner countries and insurance partners in introducing climate risk insurance to the market?

Schnell: In general, KfW offers grants, loans, and equity participations, as well as technical assistance linked to our financings. In doing so, KfW relies on funding provided by BMZ. Within the InsuResilience Global Partnership, we finance eleven dedicated projects and facilities with the main aim to protect the poor and vulnerable against climate risks.

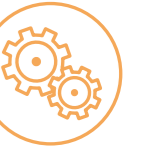
Barbara Schnell
Director Sector Policy, KfW Development Bank



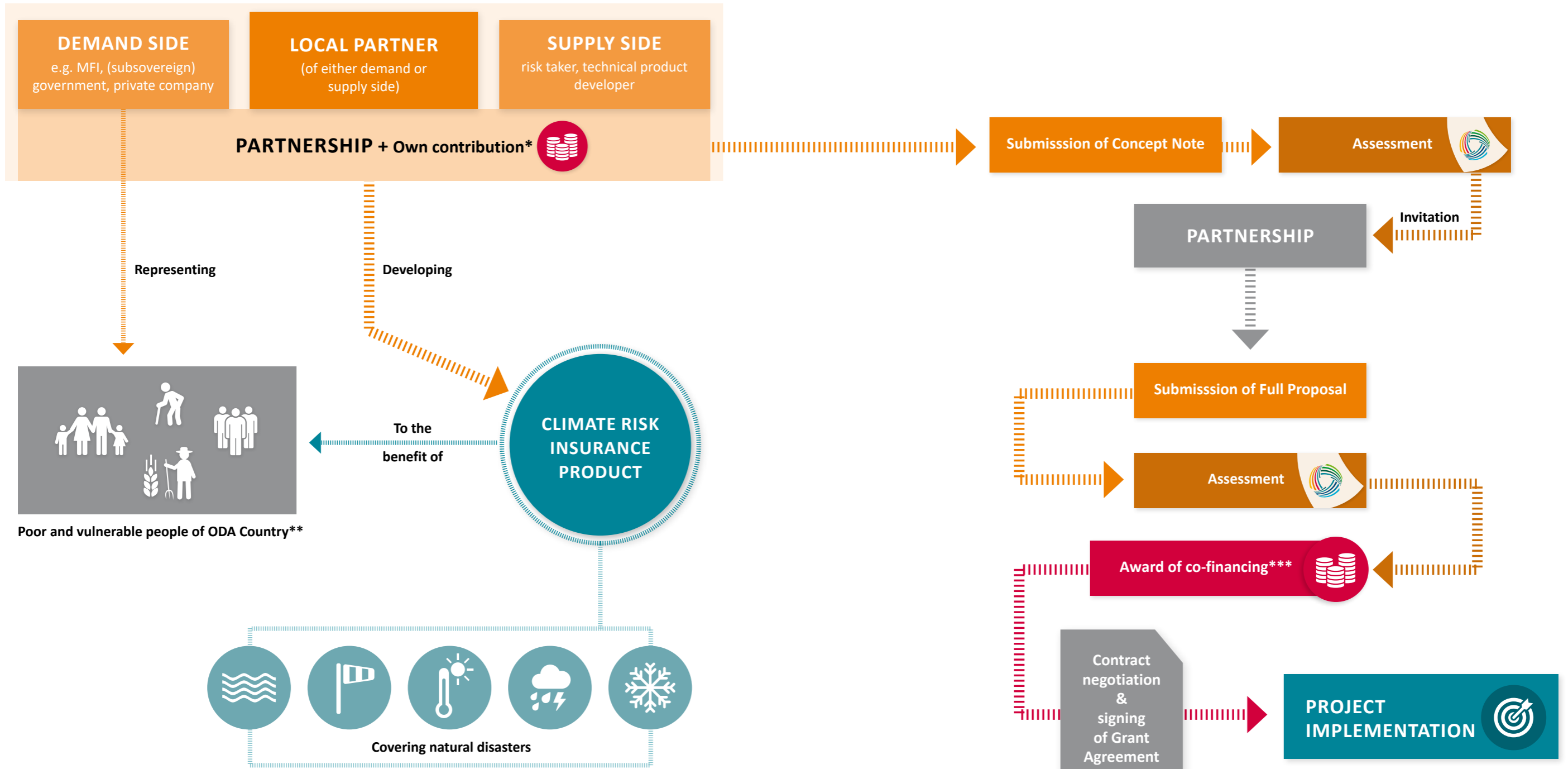
These include: InsuResilience Investment Fund (IIF), InsuResilience Solutions Fund (ISF), Natural Disaster Fund (NDF), African Risk Capacity (ARC), ARC Replica, and R4 in Ethiopia, among others. In addition, KfW has developed a new product, the Shock Resilient Loan (SRL). It is currently piloted with the West African Development Bank BOAD. SRLs are loans combined with an insurance policy. In the case of a natural disaster, the insurance kicks in and covers payment obligations for a predefined time period. This allows borrowers – in the case of BOAD West African governments – to free up fiscal space for emergency aid and reconstruction measures.

“Rapid insurance payouts rely heavily on data availability and quality”

Barbara Schnell



ISF application process for grant-based co-funding



* Own contribution must at least match the requested ISF funding amount. May include financial and/or in-kind contribution.

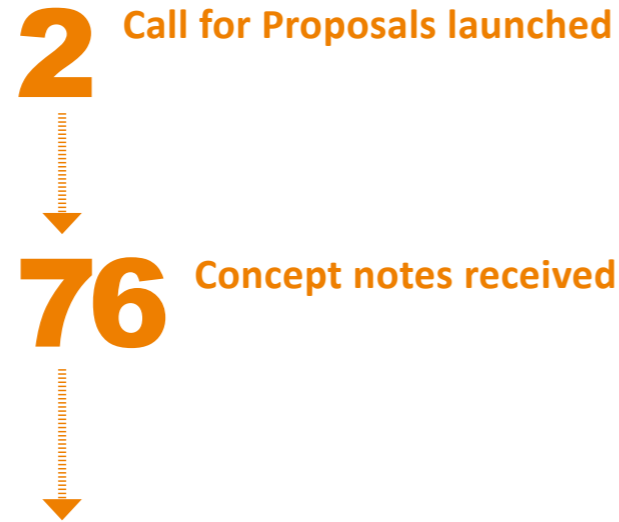
** Official development assistance (ODA) as defined by the OECD Development Assistance Committee (DAC). Countries that are official candidates for accession to the European Union or beneficiaries of the European Neighbourhood Instrument East are considered to be non-eligible for ISF funding. These include: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, Moldova, Montenegro, North Macedonia, Serbia, Turkey and Ukraine.

*** Grant-based co-financing may be awarded of up to 2.5 million EUR.



2020 - A year in numbers

- 3** Economics of Climate Adaptation studies in process
- 1** CLIMADA climate risk analysis completed
- 4** Feasibility studies and advisory services completed

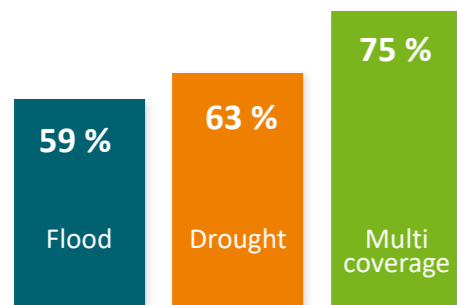


5 Grant agreements signed

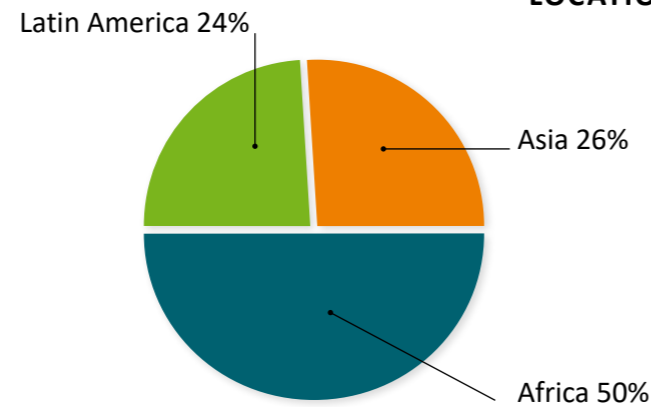
Projects in: Colombia, Bangladesh, Peru, Ghana, Tanzania

- 100%** implemented with a local partner
- € 6 million** ISF funding (50% of total product development costs)
- 100%** implemented with private sector participation
- 38%** Private-sector share of total product development costs
- 6.2 million people** reached by 2025 (estimated)
- 100%** of beneficiaries are poor or vulnerable to climate change

HAZARDS TO BE COVERED



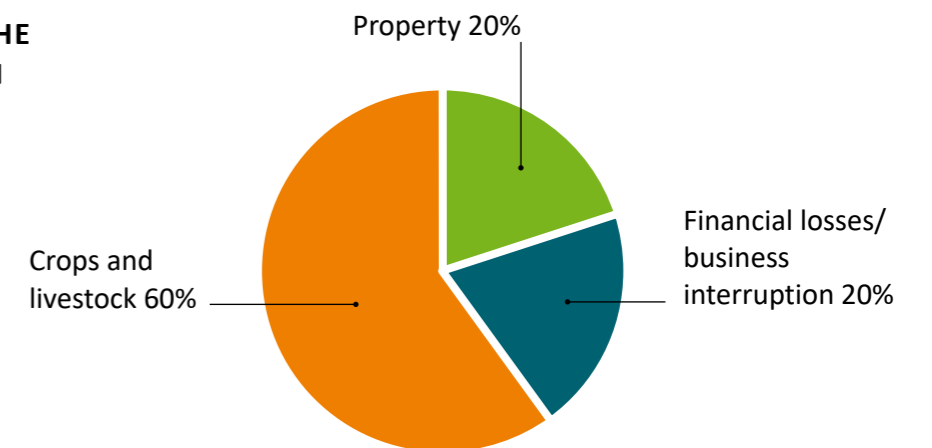
LOCATION



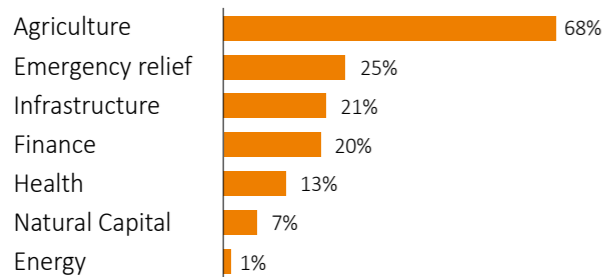
INSURANCE SOLUTION APPROACH



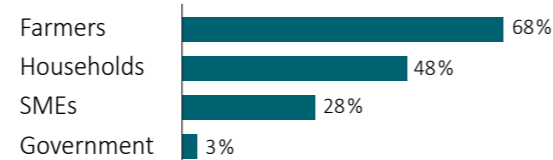
ASSETS COVERED IN THE INSURANCE SOLUTION



SECTORS



END BENEFICIARIES OF THE INSURANCE PRODUCT

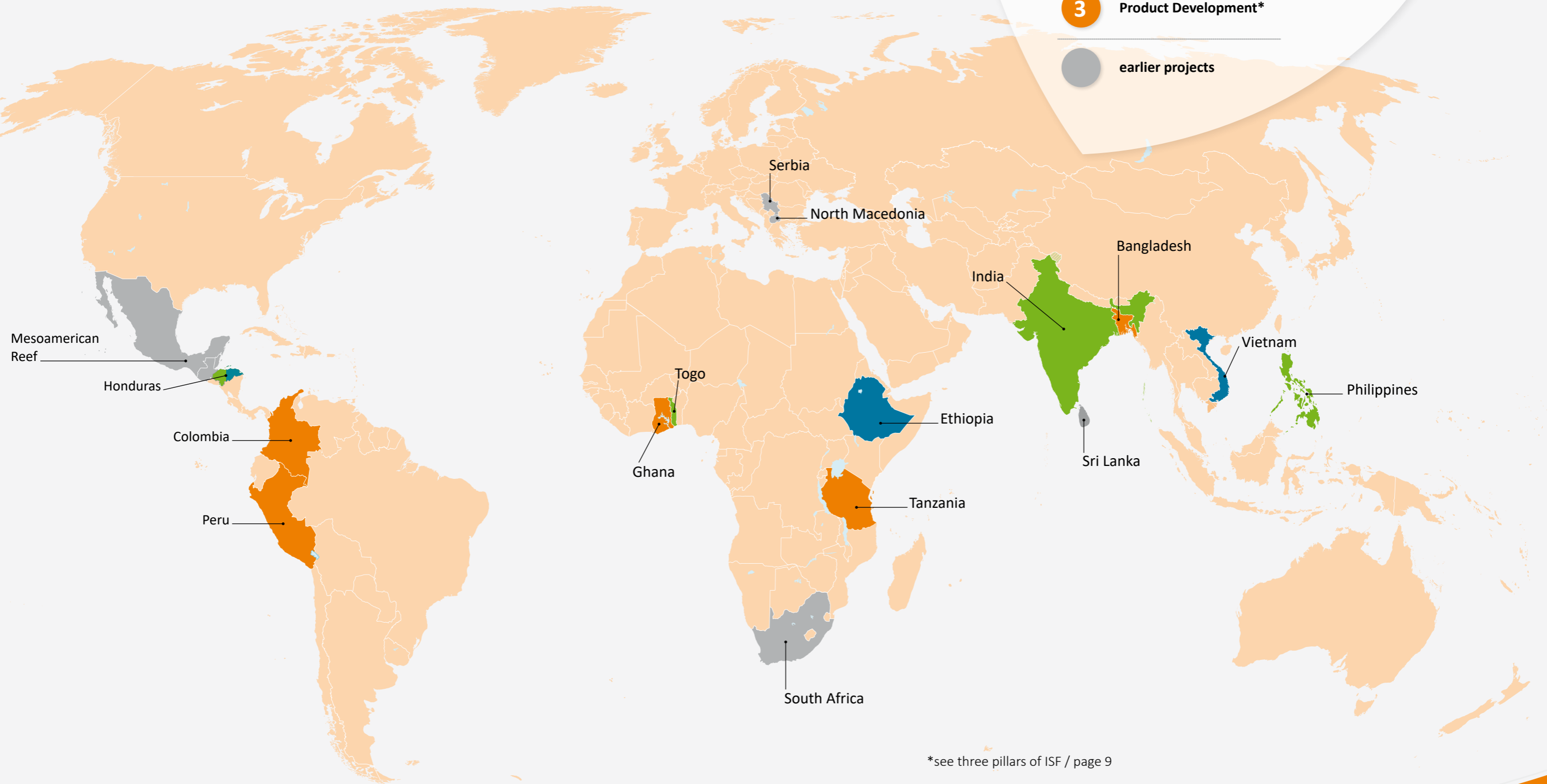




Our projects around the world

OUR PROJECTS IN 2020

- 1** Climate Risk Analysis*
- 2** Concept Development*
- 3** Product Development*
- earlier projects



*see three pillars of ISF / page 9



Comprehensive climate risk analysis

Applying risk analysis tools and models developed by the insurance sector, ISF offers comprehensive climate-risk analyses that provide governments, businesses, and civil society with important data and information to become proactive risk managers.

Supporting the use and further development of open-source platforms, we promote the mainstreaming of risk-management tools and instruments. The results of the studies provide political decisionmakers with the necessary information to **weigh up and prioritize adaptation measures based on cost-benefit analyses.**

The results directly contribute to the InsuResilience Global Partnership's Vision 2025 of improving access to and understanding of data and modelling for vulnerable countries and communities.

CLIMADA

The open-source risk modelling platform provides globally consistent multi-hazard risk assessments on scales from national to local levels. The **probabilistic modelling approach** estimates expected economic damage as a measure of risk today: the incremental increase from economic growth and the further incremental increase due to climate change.

Economics of Climate Adaptation Studies (ECA)

The methodology offers a systematic and transparent approach that combines probabilistic risk modelling techniques of CLIMADA with in-depth, inter-sectoral stakeholder discussions.

In 2020, we conducted ECA studies on the municipal, regional, and national level in **Honduras, Ethiopia, and Vietnam** in cooperation with ETH Zurich and United Nations University – Institute for Environmental and Human Security (UNU-EHS). The three studies focus on different hazards, assets, environmental, and institutional settings highlighting the methodology's flexibility.



Vietnam: Strengthening climate-resilient development and transformation

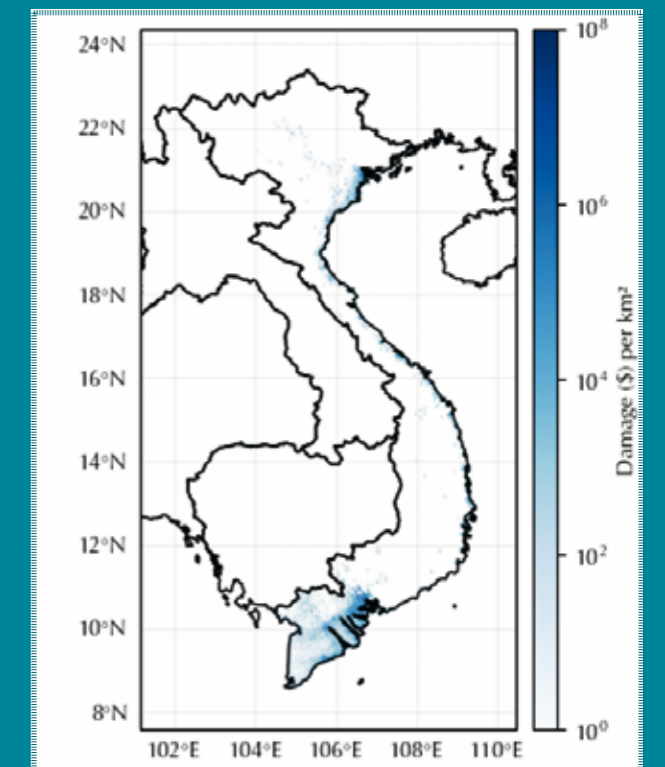
Based on the open-source and probabilistic modelling tool CLIMADA, ISF conducted a fast-track CLIMADA analysis for Vietnam in a research cooperation with the reinsurer AXA Climate and ETH Zurich.

The study assessed the current and future climate impacts faced by Vietnam due to tropical cyclones, specifically wind and surge. The expected impact of wind and storm-surge risk was assessed focusing on three categories of assets: residential houses, agriculture, and people. Based on their respective exposure to climate risks, different adaptation measures, including physical adaptation measures as well as financial adaptation through insurance, were identified and evaluated with regard to their respective cost-benefits. The simulations reveal that coastal and high-population areas are most vulnerable to climate change. The damage on residential houses due to surge is expected to increase by 16 percent by 2050. The damage of wind on agriculture may even increase by up to 50 percent. Based on the analysis, specific hotspots down to a resolution of 1 km² can be analysed in more detail, giving coastal communities and provincial governments guidance on how to increase resilience against climate risks.

A set of adaptation measures, consisting of the rehabilitation of mangroves, construction of gabions, and upgrading of sea-dyke systems, can reduce risk on residential housing and agriculture due to storm surge by up to 95 percent and 98 percent respectively.

If the three identified physical adaptation measures are implemented consistently, for example, more than 60 percent of the remaining average annual losses due to storm surge on housing could be transferred through insurance. Reducing the risk as much as it is financially

efficient through physical adaptation measures is key to adapt to climate change and allows climate risk insurance just to be concentrated on the remaining risks. The results directly benefit decisionmakers in the region enabling them to further develop climate-adaptation strategy and provide a vivid example of the complementarity of risk reduction and risk transfer.



Expected increase in annual damage on residential houses due to storm surge by 2050

i More Information about CLIMADA: <https://wcr.ethz.ch/research/climada.html>





Support for climate-risk insurance concepts

Given the highly innovative nature of climate risk insurance, ISF offers funding for studies and provides advice for the development of new concepts for climate-risk insurance solutions considering the specific needs of the poor and vulnerable population.

The lack of data and uncertainty about the regulatory and legal framework are some of the major obstacles for the development of innovative climate-risk insurance products in developing economies. With our support, market barriers can be identified and assessed in order to develop appropriate strategies and provide the basis for new climate-risk insurance approaches.

We help to identify innovative climate-risk insurance solutions, and provide guidance and advice on the elements that are necessary to design and conceptualise effective insurance projects.

In 2020, we funded feasibility studies in the Philippines, Honduras, and India, and provided advisory services in Togo and India.



Philippines: Prefeasibility study for a parametric typhoon insurance

The low-income sector in the Philippines is exposed to substantial typhoon risk that can devastate livelihoods. Climate change is expected to alter the risk profile of typhoons by increasing their frequency and intensity.



Foto: © NASA images/ Shutterstock.com

Parametric typhoon insurance can provide policyholders with immediate liquidity following a severe typhoon. MAA General Assurance Philippines (MAA) and CelsiusPro plan to develop and introduce a parametric typhoon insurance scheme targeting the Filipino low-income sector. The Emergency Cash Product is designed to address Filipinos' acute financial exposure to typhoon risks, providing them with a lump sum payment within days of a severe storm. The provision of immediate liquidity ensures that policyholders can manage their most urgent expenditure needs, such as emergency goods, transportation, temporary accommodation, and initial repair work.

The pre-feasibility study provided a detailed understanding about the insurance and regulatory landscape in the Philippines, the target groups, and the general viability of the envisioned insurance solution. A demand survey with the sales staff of a national pawnshop operator assessed the operator's interest in the product. The sales staff's close and frequent interactions with the low-income sector

allows them to assess the product's appeal. Crucial feedback from risk partners (reinsurers) also helped to inform the product's structure.

The study revealed that a low-cost parametric typhoon insurance solution addresses a gap in the insurance and emergency relief landscape. To date, typhoon risk can only be covered with indemnity-based products and bundled microinsurance solutions, which are not suited to finance emergency relief needs. Combining a low-coverage limit with affordable premiums will allow the product to be distributed as an add-on service by a national pawnshop operator. The study concludes that developing digitalized operational and technical structures will enable a smooth roll-out of the Emergency Cash Product as part of a pilot project. Crucial to the value proposition of the product is that payouts can be issued without physically transferring cash.

With this roadmap for the implementation of a pilot project to introduce a parametric typhoon insurance in the Philippines, the partnership aims to apply for ISF co-funding for the product implementation phase.

“The prefeasibility study enabled our distribution partner and us to explore the market potential for an innovative risk-transfer solution. The project has highlighted how a parametric micro-insurance product could help our clients address their immediate cash needs in the aftermath of a devastating typhoon.”

Martin L. dela Rosa

Senior Vice President, MAA General Assurance Philippines





Support for climate-risk insurance products

At the heart of our operations, we support and promote joint product development, including the introduction and scale-up of innovative climate-risk insurance products that add value for affected people.

Partnerships are invited to apply for co-funding by submitting proposals to develop or scale-up insurance products focused on coverage for climate-change-related hazards through a dedicated Call for Proposals.

In 2020, we implemented two **Calls for Proposals** that generated high interest. We received and evaluated over 70 applications for co-financing.

We are currently supporting projects on macro, meso, and micro level in South Africa, Serbia, North Macedonia, Colombia, Peru, Bangladesh, Ghana, and Tanzania.

We provide grant-based co-funding of up to 2.5 million EUR to partnerships where at least:

- **one partner is representing the demand and needs of end beneficiaries AND**
- **one partner is willing to act as risk taker AND**
- **one partner is located in the target country.**

THE PROJECT AT A GLANCE

Risk to be covered	Drought, excess rain, earthquake
Product / Solution	Index-based insurance
Objective	Improving resilience of micro-entrepreneurs and smallholder farmers in Colombia against natural disasters and extreme weather events.
Beneficiaries	Micro-entrepreneurs, smallholder farmers and their families
Partnership members	Microinsurance Catastrophe Risk Organization (MiCRO) SBS Colombia S.A. Bancamia
Project duration	May 2020 – June 2022

Colombia: Climate risk insurance to provide emergency liquidity in times of crises

ISF is co-funding an innovative insurance approach to improve resilience of micro-entrepreneurs and smallholder farmers in Colombia against natural disasters and extreme weather events. The project is promoted by MiCRO in partnership with SBS Seguros Colombia S.A. The climate-risk insurance solution will provide immediate liquidity in case of a natural disaster.

Today, Colombia is severely exposed to natural disasters including floods, tsunamis, and earthquakes. Damages to crops and livestock, but also income losses due to business interruptions, put smallholder farmers and micro-entrepreneurs most at risk. At the same time, they are severely affected by the economic impacts of the Covid-19 pandemic. Still, financial products to bridge income losses and immediate liquidity needs in the aftermath of a natural disaster are seldom available for small entrepreneurs and smallholder farmers. Climate risk insurance can thus be an effective instrument to provide the necessary financial resources following adverse weather events and natural catastrophes.

To tackle this challenge, the Microinsurance Catastrophe Risk Organization (MiCRO) in partnership with the local insurer SBS Colombia S.A. developed an index-based insurance for micro-entrepreneurs and smallholder farmers in Colombia. ISF co-funds the project implementation and thereby helps to accelerate growth. The project intends to scale-up an existing index insurance for micro-entrepreneurs and smallholder farmers and to adjust the initial product to the needs of new aggregators and their clients. The initial product, designed by MiCRO and SBS Colombia, is offered to clients of the local bank Bancamia since October 2019. MiCRO was set up in 2011 by Mercy Corps in order to design and implement affordable and needs-based risk transfer solutions to the underserved population.

The insurance products aim to protect micro-entrepreneurs and smallholder farmers against financial losses as a result of all natural hazards. With the aim of reaching 300,000 beneficiaries by 2022, the project offers a solution to stabilise the income of vulnerable households, thereby strengthening their resilience. This will be achieved by combining the index-based insurance product with a value-added programme that helps raise awareness of disaster risk reduction.

“This project seeks to protect micro-entrepreneurs and small producers with parametric insurance, so that they are better prepared in case of climate-related disasters. Until today we have reached more than 5,000 policyholders and have served over 1,000 of them with payouts for events such as drought and excess of rainfall. We continue working to expand this initiative, leveraged on distribution channels, to insure more people and, thus, contributing to their empowerment, quality of life and resilience.”

Vanessa Hernández

Commercial Manager for Banking and Microinsurance,
SBS Seguros Colombia.



Bangladesh: Mitigating risk in agriculture - climate insurance for smallholder farmers

Besides facing enormous weather risks, Bangladesh's smallholders have suffered heavily from the Covid-19 pandemic. A new international partnership, co-funded by the ISF, aims to provide suitable climate-risk insurance to the farmers affected. The project enhances local livelihoods by facilitating investment in crop and livestock production, and creating resilience and stability.

Bangladesh is one of the countries likely to be most affected by climate change. As Cyclone Amphan in May 2020 demonstrated, the country's subtropical monsoon climate leaves it highly susceptible to natural disasters. Food security depends heavily on over 12 million smallholder farmers. They are particularly vulnerable to extreme weather events. Despite this vulnerability, however, agricultural insurance in Bangladesh is still in its infancy.

A partnership consisting of the Syngenta Foundation for Sustainable Agriculture (SFSA) and further organizations address this challenge. The partnership aims to improve smallholders' resilience to climate change by providing suitable insurance products. ISF is co-funding the development and scale-up of climate risk insurance for a range of crops that is tailored to meet smallholders' needs. Existing insurance policies for potatoes and rice farmers will be further expanded and new products for farmers cultivating corn, beans, and vegetables will be developed. With help of the Swiss digital-platform developer EnvEve S.A., the partners are also developing a software platform to support product development, pricing, and distribution.

In Bangladesh, getting insurance into farmers' hands takes place in collaboration with local partners. BRAC, the world's largest NGO and microfinance institution, and Green Delta Insurance Company Ltd, the largest

non-life insurance company and only agricultural-and-livestock insurance provider of Bangladesh, will distribute the insurance products in at least nine districts. The project activities are complemented by training and agro-advisory services for farmers and insurers.

Internationally, the two-year initiative is also drawing on the skills of the International Research Institute for Climate and Society (IRI) at Columbia University, New York; and Reading University's Walker Institute in the UK. Their role is to document the process of product development and build local skilled resources for scaling up agriculture insurance in the long term.

“A sense of urgency about combating climate disruptions cannot be overemphasized. Insurance to the smallholder farmers is essential for food security, job creation, and the overall economy because it is meant to increase financial resilience against adverse climatic events. This project will help expand financial inclusion as it encourages lenders such as ourselves to increase agri-financing to smallholders, facilitating them to adopt newer technologies and ensure business continuity through natural disasters with climate insurance derisking.”

Hasib Ahmed
Microinsurance Lead, BRAC

THE PROJECT AT A GLANCE

Risk to be covered	Floods, heavy rainfalls, dry spells
Product / Solution	Weather-index-based agricultural insurance
Objective	Improving pilot products and scaling up weather index insurance. Increased insurance penetration affordable to smallholder farmers. Targeting 30 percent female farmers.
Beneficiaries	Smallholder farmers and their families
Partnership members	Syngenta Foundation for Sustainable Agriculture BRAC Green Delta Insurance Company Limited
Project duration	June 2020 – July 2022



CONTACT

For further questions, please contact:
info@insuresilience-solutions-fund.org

INSUREILIENCE SOLUTIONS FUND

Initiated by:

Federal Ministry of Economic Cooperation and Development (BMZ)
& KfW Development Bank

Managed by:

Frankfurt School of Finance and Management

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ABOUT INSUREILIENCE SOLUTIONS FUND

The InsuResilience Solutions Fund (**ISF**) has been set up by KfW, the German Development Bank, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). **ISF** promotes the development of innovative and sustainable climate risk insurance products in developing and emerging countries, to improve the resilience of poor and vulnerable households against the impacts of climate change and natural disasters.

ABOUT FRANKFURT SCHOOL OF FINANCE AND MANAGEMENT

Frankfurt School of Finance & Management is the leading private business school and advisory institute in Germany in the finance sector with 60 years of experience in consulting, qualification, project implementation, and training services. Located within the Frankfurt School, International Advisory Services and UNEP Collaborating Centre seek to facilitate private sector investment and financing of sustainable energy and climate change mitigation and adaptation projects across the globe.



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