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Principles for  
**Sustainable Insurance**

# How the insurance industry can help tackle climate-related losses and damages

**Presentation by UNEP's Principles for Sustainable Insurance Initiative**

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# The insurance risk management continuum mirrors the disaster risk management continuum

**Understand & assess risk**

**Prevent & reduce risk**

**Price, carry & diversify risk**

**Pay insurance losses & help clients recover**

e.g. Catastrophe risk quantification, modeling & analytics (hazard + exposure + vulnerability)

e.g. Flood, cyclone or drought loss prevention & risk reduction measures

Various insurance solutions at the micro, meso & macro levels

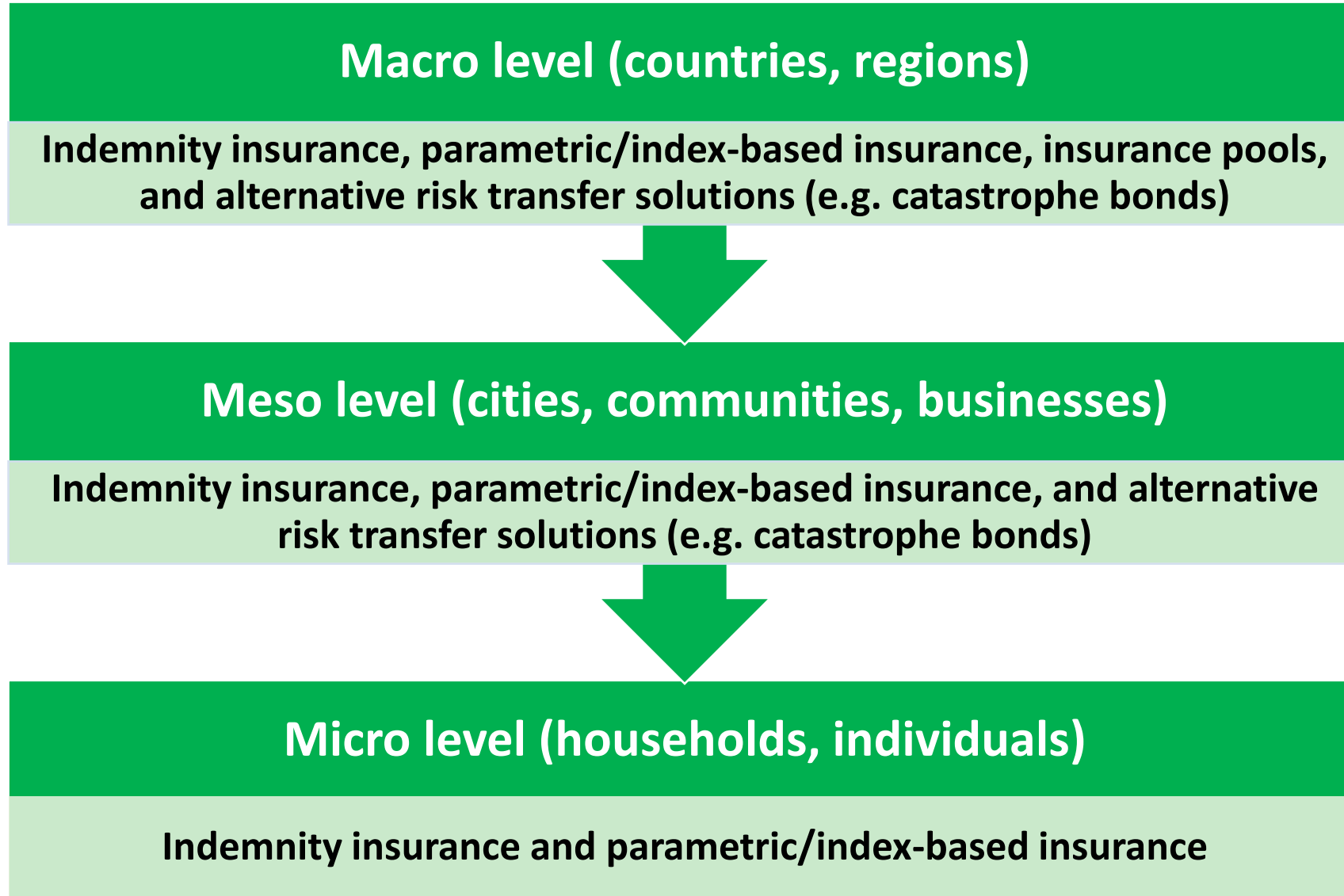
**Understand & assess disaster risk**

**Prevent & reduce disaster risk**

**Disaster response & relief**

**Disaster recovery & risk financing**

# Insurance solutions that help tackle losses and damages span the macro, meso and micro levels



# Challenges to scaling up insurance solutions that help tackle losses and damages

- **Poor disaster risk management** (e.g. land-use planning and zoning, building codes and standards, disaster risk reduction measures, disaster preparedness)
- **Low insurance penetration and density** or the "insurance protection gap" (availability, accessibility, affordability)
- **Low insurance literacy**
- **Poorly designed insurance products** (not fit for low-income, vulnerable communities)
- **Lack of enabling policy and regulatory frameworks** that promote the role of insurance in sustainable development

# Vulnerable Twenty Group of Finance Ministers (V20) Sustainable Insurance Facility (SIF) to protect MSMEs from losses and damages

- V20: **58 climate-vulnerable economies** with a combined population of 1.5 billion people and 5% share of emissions. Climate change has wiped out **one-fifth of the wealth of V20 economies** (USD 525 billion) **over the last two decades** (2000-2019).
- As backbone of V20 economies, **MSMEs contribute 20% to 70% of GDP, make up more than 80% of all businesses**, and contribute to countries' export revenues
- With MSMEs constantly threatened by increasing climate risks, **insurance can enhance risk management, absorb financial shocks, and de-risk implementation of cost-saving renewable energy and energy efficiency infrastructure**
- V20-SIF: World's first **vulnerable country-led, demand-driven insurance facility** of its kind. Project Office hosted by UNEP's Principles for Sustainable Insurance Initiative (PSI) and funded by German government (BMZ)
- As project pipeline development facility, V20-SIF will deliver **financial protection to MSMEs in Asia-Pacific, Africa & the Middle East, and Latin America & the Caribbean** to build climate resilience and support transition to net-zero economies

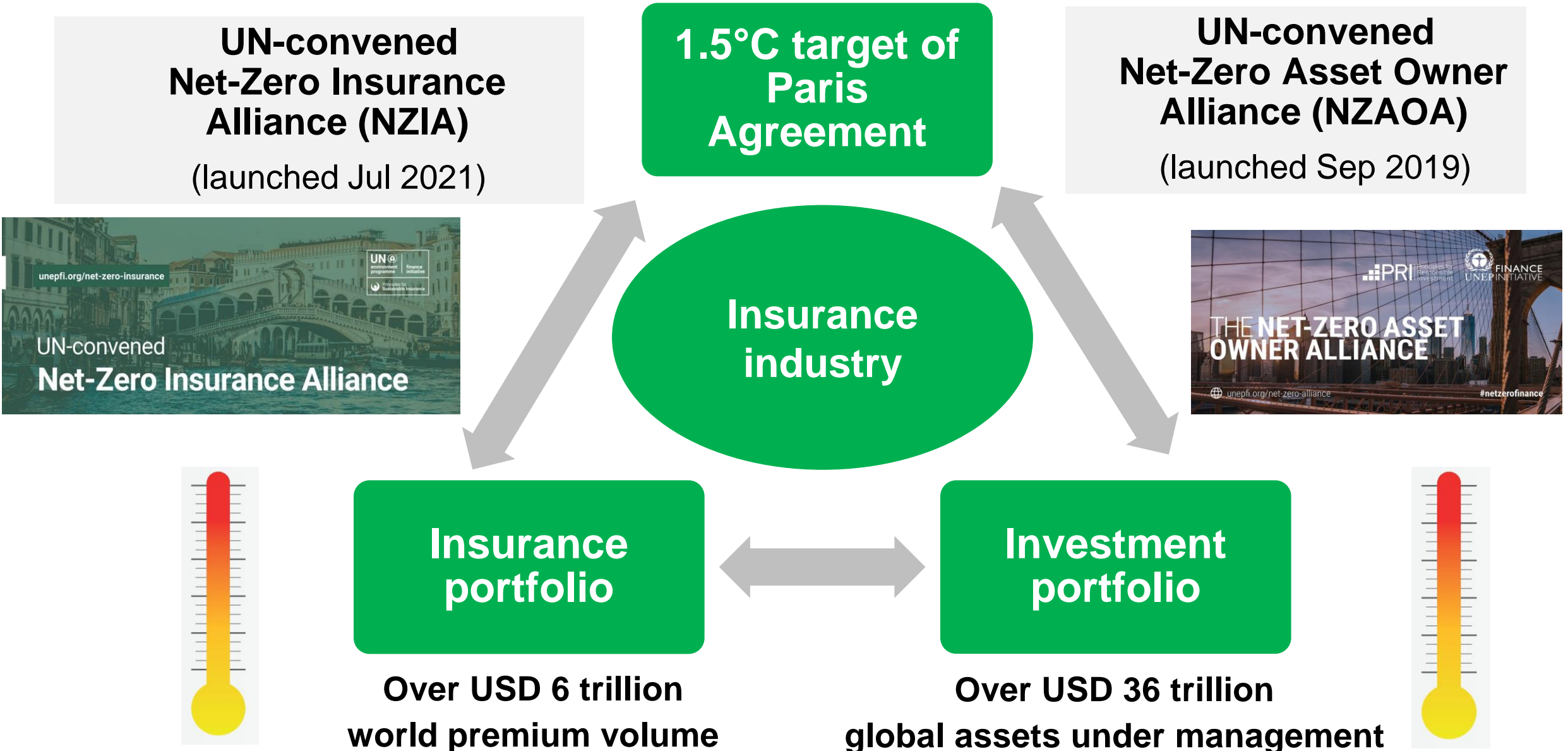


V20 Sustainable Insurance Facility (COP26)

Global Shield Against Climate Risks (COP27)

UNFCCC Loss & Damage Fund (COP27)

# Beyond tackling loss and damage: How the insurance industry is supporting the transition to a net-zero emissions economy by 2050



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# Insuring for sustainable development

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