

# Insurance

to Protect Natural Assets  
and Enable Nature-Based Solutions

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# Swiss Re is a global re/insurance group with superior capital strength

- Swiss Re is a truly global and highly diversified reinsurer, founded 150+ years ago in Zurich
- Leading position with Gross premium written totaled USD 42.9bn in 2020
- Swiss Re provides re/insurance and other forms of insurance-based solutions across all geographies
- Superior capital strength, with Group SST at 234% and AA- rating, making Swiss Re a reliable partner
- Leading knowledge company in the industry with unique R&D capabilities

## Dedicated team to develop Public Sector Solutions



*Our vision: We make the world more resilient*

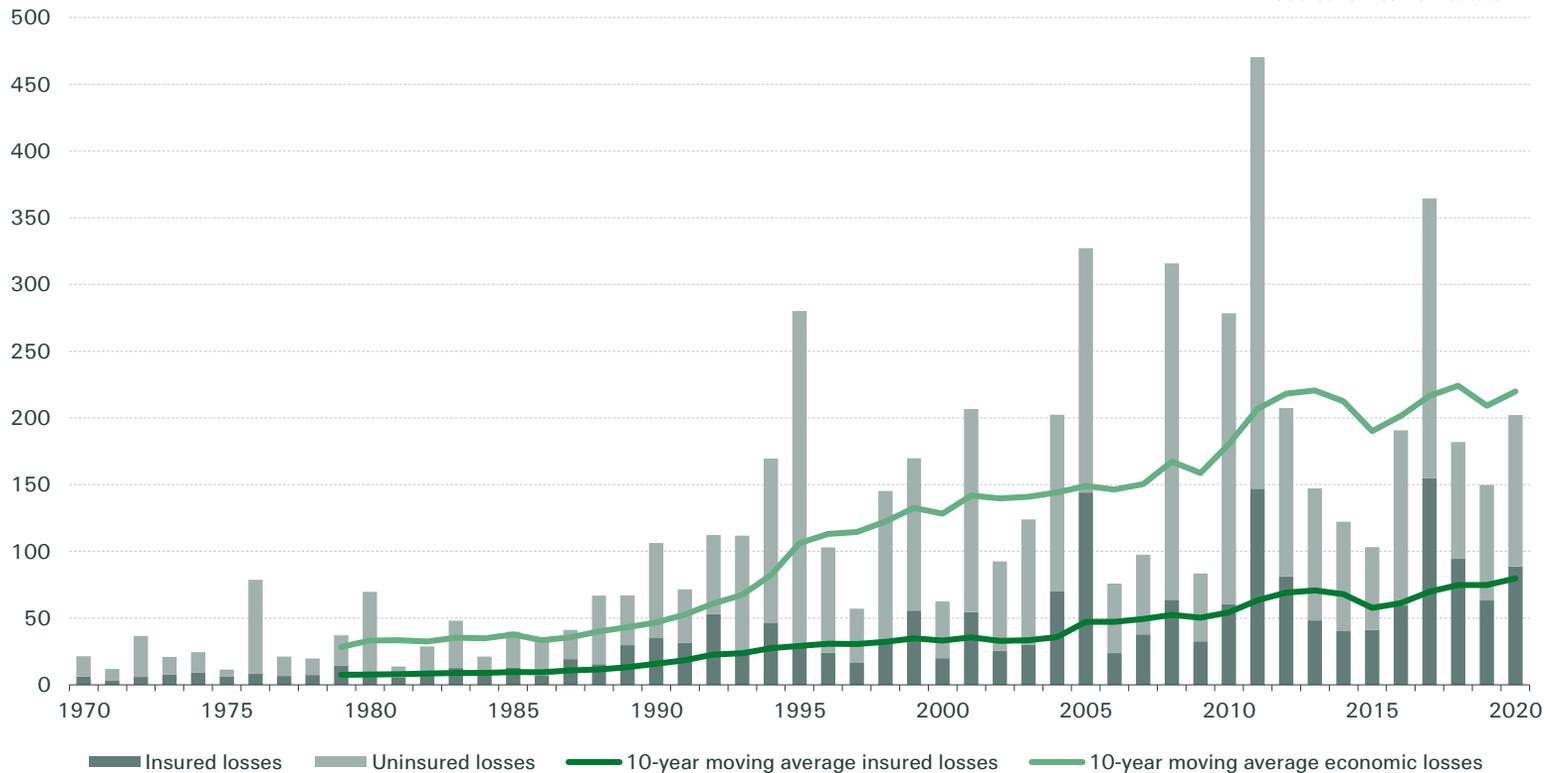
# Only a small portion of catastrophe risk is insured

This exposure impacts a country's economy and ability to recover from shocks

## Insured vs uninsured losses

1970-2020, in USD billion at 2020 prices

Source: Swiss Re Institute

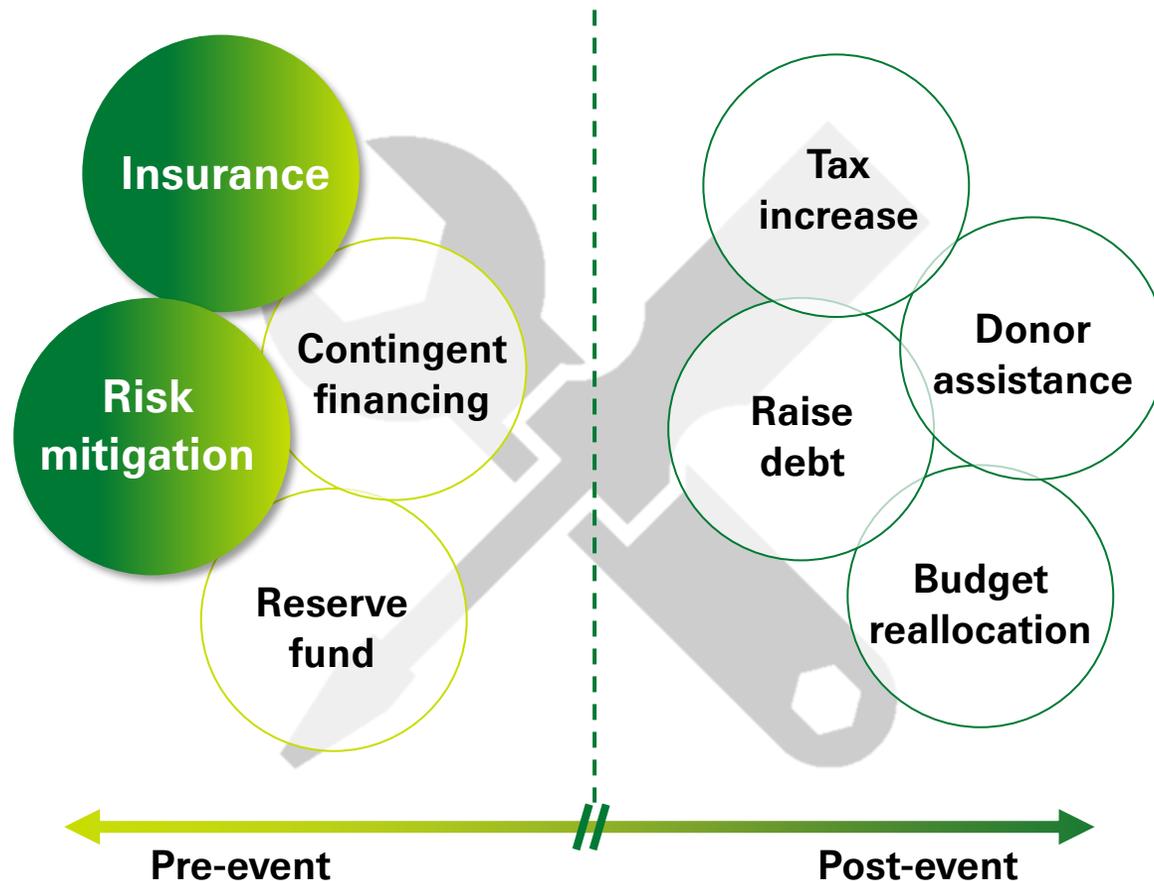


# 70%

of global economic losses caused by natural catastrophes over the past decade were **uninsured**

# A range of tools are available to reduce risk

Insurance, combined with risk mitigation and other tools, protects public budgets

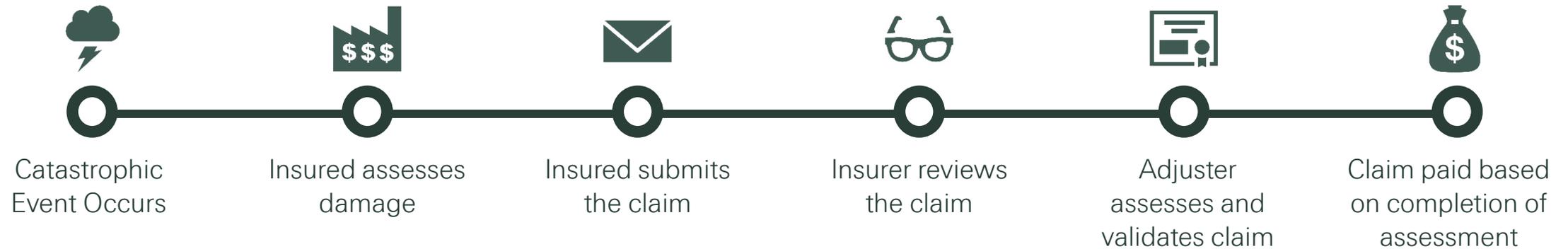


## Insurance solutions provide distinctive advantages

- ✓ **Guaranteed access to funds for recovery**, up to agreed cover limits
- ✓ **Budget planning certainty** based on pre-determined premiums
- ✓ **Speedy delivery**, especially with innovative instruments such as parametric solutions
- ✓ **No payback obligation**, in contrast to loans
- ✓ **Reduction of a country or city's contingent liabilities**, with positive implications on rating
- ✓ **Limits the pressure to divert funds** from other projects to affected areas

# Indemnity versus Parametric – Two types of insurance

## Indemnity insurance



## Parametric insurance



### Parametric considerations:

- Fast pay out, with no loss assessment required
- Pre-agreed amounts and flexibility in use of funds
- Transparency and use of objective data
- Basis risk – pay out may differ from actual loss

Nature-based solutions provide environmental, social and economic benefits to communities and businesses.

Investing in nature is an effective and cost-efficient adaptation measure in the fight against climate change

## Protecting nature: who and what is exposed?



**Businesses** – protect the revenue earned from activities based around natural resources, and cover costs when business is interrupted due to natural or man-made catastrophes

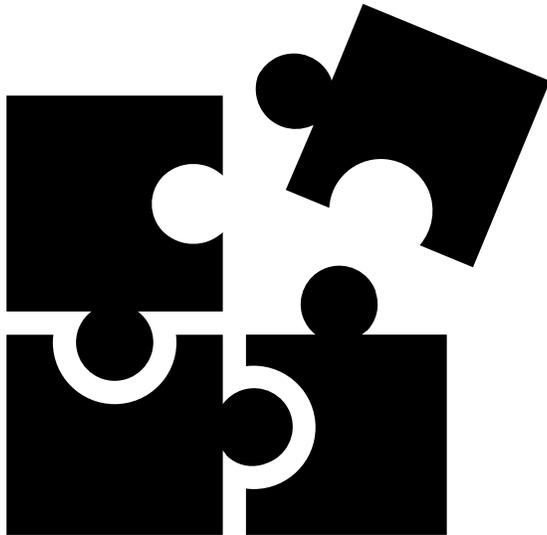


**Government agencies** – insure against the cost of damages, regeneration and associated revenues, with quick cash for clean up and restoration of public nature sites



**Investors** – insure green projects against delays or non-completion, protecting the investment and returns

# Designing the right insurance solution in relation to Nature-Based Solutions



## Identify the asset

that needs protection (is it a source of tax revenue, or cultural heritage, or national landmark?)



## Understand the risks

what are the risks and threats? how often will they occur, and how do they impact the natural asset?



## Determine the cost of damage

how much is needed to fund repairs/restoration? and what do these funds need to cover?



## Identify premium funding

who pays the premium? ensure sustainable cash flows for ongoing premium payment and protection

# Successful insurance models for replication – Case study 1

- In 2017, Swiss Re launched the world's first nature-based insurance solution to protect Mexico's **Quintana Roo coral reef**
- Collaboration with The Nature Conservancy (TNC), Mexican regional governments, local universities, property owners, and Swiss Re
- **Parametric insurance** cover based on wind-speed index
- Creation of the Coastal Zone Management to administer the solution

## **Coral Reef Hurricane Cover Mexico**

*Innovative insurance solution to facilitate fast recovery and restoration activity*



## Successful insurance models for replication – Case study 2

- In 2019, Swiss Re provided construction risk coverage for the restoration of a **sand dyke on the island of Texel** in the Netherlands
- Collaboration with local water management company, construction engineer teams, local authorities, and Swiss Re
- **Traditional insurance** cover for an innovative project
- Project won prizes for best public collaboration and biodiversity strengthening

### **Prince Hendrik Sand Dyke The Netherlands**

*Insurance to de-risk and accelerate investment in a nature-based infrastructure project*



# Thank you!

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