Insurance to Protect Natural Assets and Enable Nature-Based Solutions

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Reef Resilience Network, 11 January 2022
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

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.

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**

1. **Catastrophic Event Occurs**
2. **Insured assesses damage**
3. **Insured submits the claim**
4. **Insurer reviews the claim**
5. **Adjuster assesses and validates claim**
6. **Claim paid based on completion of assessment**

**Parametric insurance**

1. **Catastrophic Event Occurs**
2. **Third party index**
3. **Payment issued within 30 days**

**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 earnt 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
Successful insurance models for replication – Case study 2

• In 2019, Swiss Re provided construction risk coverage for the restauration 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
Thank you!