



Addressing Climate Risk with Public Private Partnerships

At AXA XL, we strongly believe that insurance has a key role to play in increasing the resilience of communities to climate related hazards, globally. In developing countries, insurance not only provides a safety net for people, businesses and governments, but can also help protect development gains and stabilize economies. Given the size of the challenge, collaboration between the private and public sectors is critical to accelerating and scaling up these efforts with concrete action.

For AXA XL, a key part of driving greater use of insurance to address the challenge and opportunities of climate change is through our active engagement in the Insurance Development Forum (IDF).

IDF

First announced in 2015 at the Paris COP21 Climate Summit by Mike McGavick, then CEO of XL Group Ltd, the IDF is an industry-led public-private partnership supporting the growth and development of insurance-related resources and capabilities to help achieve the objectives of the Sustainable Development Goals (SDGs) and related U.N. Agreements of 2015-2016 (Sendai - Disaster Risk), Addis Ababa (Finance for Development), Paris (Climate) and Istanbul (Humanitarian System), collectively known as the U.N. Global 2030 Agenda. As the first insurance industry led public-private partnership, the IDF was conceived and proposed by the Political Champions Group for Disaster Resilience (PCG) during the 2013 UN General Assembly.

The IDF is currently chaired by Denis Duverne, Chairman of AXA, representing the (re)insurance industry, and co-chaired by Achim Steiner, United Nations Development Program (UNDP) Administrator, and Hiroshi Matano, Executive Vice President of MIGA - Multilateral Investment Guarantee Agency, World Bank Group.

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By Claudia Thyme

The non-profit organization aims to optimise and extend the use of insurance and its related risk management capabilities to build greater resilience and protection for people, communities, businesses, and public institutions that are vulnerable to disasters and their associated economic shocks.

It enables (i) the optimal coordination of insurance-related activities; (ii) the development of shared priorities; (iii) the mobilization of resources; (iv) the promotion of strategic and operational relationships within and between governments, industry, and international institutions; and (v) safeguards the integrity and effectiveness of joint efforts and collective resources. Five dedicated working groups drive the IDF's programmes and initiatives: i) Sovereign & Humanitarian Solutions (SHS); ii) Risk Modelling & Mapping Steering Group (RMSG); iii) Law, Regulation & Resilience Policies (LRRP); iv) Inclusive Insurance and v) Investments.

The Role of AXA XL within the IDF

In the role of Industry Deputy Chair of the Sovereign & Humanitarian Solutions (SHS) working group, AXA XL is contributing to drive and coordinate efforts across industry and public sector members. A strong focus of the SHS activities is the *Tripartite Agreement* which IDF signed with the German Federal Ministry for Economic Cooperation and Development (BMZ) and UNDP in September 2019, during the UN Secretary General's Climate Summit in New York.

The Tripartite Agreement looks to amplify the strengths of the various parties and to scale-up the use of risk financing mechanisms to deliver on global resilience and adaptation ambitions. Under the agreement, IDF commits to deliver climate and disaster risk modelling, technical assistance and risk transfer solutions to 20 climate vulnerable countries by 2025 working closely with UNDP local offices, and to provide USD 5 billion in risk capacity for climate risk insurance in the same period. The solutions will be delivered as projects led by the insurance industry members of its SHS working group, who will co-finance the projects in-kind.

As a strategic partner, BMZ funds 50% of the value of the projects through the InsuResilience Solutions Fund (ISF).

The Peru Public Schools Project

AXA XL is also co-leading the first Tripartite IDF project, to design an insurance solution for Peru's public schools. The project will provide the Government an insurance programme that protects public schools against the impact of natural disasters with indemnity or parametric insurance solutions, or a combination of the two. It aims to improve continuity for children's education by accelerating reconstruction, while also strengthening the country's resilience.

AXA XL leads the consortium created to implement the project, which includes [Munich Re](#) as an IDF co-lead, the Peruvian Association of Insurance Companies ([APESEG](#)) as initiator of the project, as well as risk modelers [GEM Foundation](#) and [JBA Risk Management](#) and the InsurTech [Picsure](#).

The project includes the delivery of flood and earthquake risk models to the Government on an 'open source' basis, as well as training sessions for Government teams to strengthen risk understanding and ownership and enable a broader risk management approach. A *Build Back Better* element aims to increase the resilience of Peru's schools over time. The project also specifically proposes an ex-ante procurement process for reconstruction and the use of image capturing technology which, supported by geocoding and artificial intelligence, enables better documentation of the assets to be insured, as well as initial documentation and estimation of damages after an insured event. This innovative technology can accelerate the underwriting and claims management processes and also help avoid fraud.

Delivering concrete solutions to address climate change by strengthening disaster risk mitigation efforts and increasing resilience is at the core of IDF's mission. This is why contributing our technical expertise to its efforts is a key priority for AXA XL.

About the Author

Claudia Thyme holds a BS from Georgetown University, Washington D.C., an MBA from City University London Business School and a Certificate from the Academy of Behavioral Economics/ GDI. She is VP, Director Strategic Market Development at AXA XL. Claudia promotes and drives the use of disaster risk financing and insurance to increase countries' resilience and protect their development gains. She is also a member of the Operating Committee of the [Insurance Development Forum/ IDF](#), and Industry Deputy Chair of its Sovereign & Humanitarian Solutions Working Group. Claudia is based in Zurich and can be reached at claudia.thyme@axaxl.com.