



'Building Financial Resilience of SAARC Countries against Natural Disasters: The Insurance Option'

A Workshop by

SAARC Disaster Management Centre (SDMC) and Insurance Institute of India (III)

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Introduction

Losses due to natural disaster have been steadily increasing. Losses could be different - loss of human life, personal misery, loss of livelihood and economic losses. While monetary losses were high for the developed countries, the financial impact on the gross domestic product (GDP) was greater for the other countries. Fatalities too were disproportionately higher in developing countries. Though the Hyogo Framework¹ for Action 2005-2015 emphasises the need for building the resilience of nations and communities to recover from the effects of disasters by creating ex-ante mechanisms for financial risk transfer including insurance, the need is particularly relevant for developing countries. Insurance for financing disaster risks has existed in various operational models such as micro-insurance for low-income populations, private insurance markets, public-private partnerships, reinsurance pools, risk transfer for governments etc. The United Nations Climate Change Conference² of 2010 (Cancun Adaptation Framework) also advocates enhanced action on risk transfer and climate risk insurance.

SAARC Disaster Management Centre (SDMC) and Insurance Institute of India (III) discussed the concerns in detail and decided to work together to bring about greater conceptual clarity on the issues at hand and facilitate the creating of an implementable roadmap for the SAARC Region.

This paper is intended to bring the various dimensions of the issue to the discussion table and initiate a process of collective thinking among the various stakeholders and thought leaders from the areas of disaster management and insurance in the SAARC countries. The paper also seeks to enable researchers to draw from the experiences of developed countries and create innovative models that suit the realities of the SAARC countries and protect them against the financial consequences of natural disasters.

The paper attempts to address the problem from multiple actionable areas so that the roles expected to be played by major stakeholders like insurers, reinsurers and governments are clearly understood and action plans formulated to try and find an answer to the complex issues of financing disaster cost.

The Thought Sequence

1. The Complexity of the Context
2. The Quest for Solutions
3. The Importance of Insurance as a Solution for Financing Disaster
4. The Dynamics of Insurance
5. The Conditions Necessary to Make Insurance Work
6. The Importance of Governmental Support in Making Insurance Work
7. Evolving an Action Plan
8. Conclusion

¹ The Hyogo Framework for Action 2005-2015 is a 10-year plan to make the world safer from natural hazards. It was endorsed by the UN General Assembly following the 2005 World Disaster Reduction Conference held at Hyogo, Japan.

² The United Nations Climate Change Conference held in Cancún, Mexico, in 2010 established the Cancun Adaptation Framework indicating the international community's commitment to disaster reduction and to engage in a determined, results-oriented plan of action for the next decade.