



**UNEP Finance Initiatives**  
Innovative financing for sustainability

## **Finance and Insurance as a Partner for Sustainable Development**

**Dirk Reinhard - Munich Reinsurance Company**

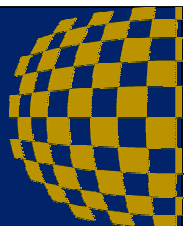
**African Task Force WSSD Panel Event “Finance, Sustainability and Africa” Johannesburg, 29 August, 2002**



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# Snapshot of the Insurance Industry

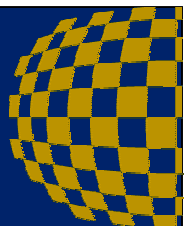
- Global premium volume for 2000 = USD 2.4 trillion
- Industrialised countries account for 90 % of global insurance market but only 15 % of global population
- Emerging markets account for 10 % of global insurance market but 85 % of global population.
- Growth of insurance market between 1990 and 1999 in industrialised countries was 5 % and in emerging markets was 11 %



# Industry as a Partner for Sustainable Development

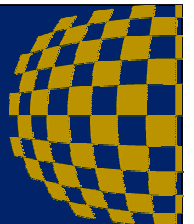
## *Finance and Insurance*

- A report released by UNEP's Finance Industry Initiatives and the United Nations Environment Programme
- Contributions from industry leaders on issues of sustainability and the status of the sector 10 years after the Rio Earth Summit



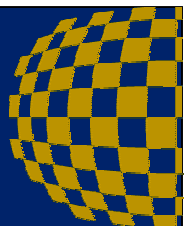
# What does the report cover?

- The three principal disciplines of the financial services sector:
  - Asset Management
  - **Insurance**
  - Lending



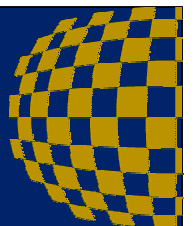
# Achievements since 1992

- Promoting and developing risk management technology
- Ascertaining risk cover
- Development of products that support sustainable development
- Sustainable Asset Management (SRI, CSR etc.)
- Promoting of public private partnerships

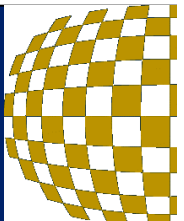
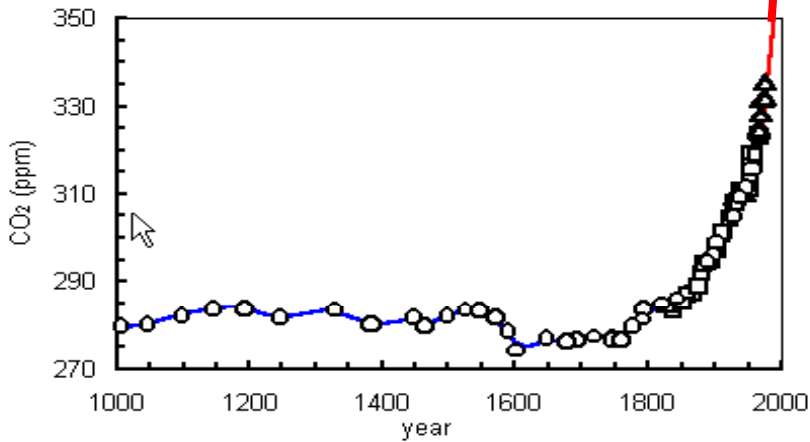
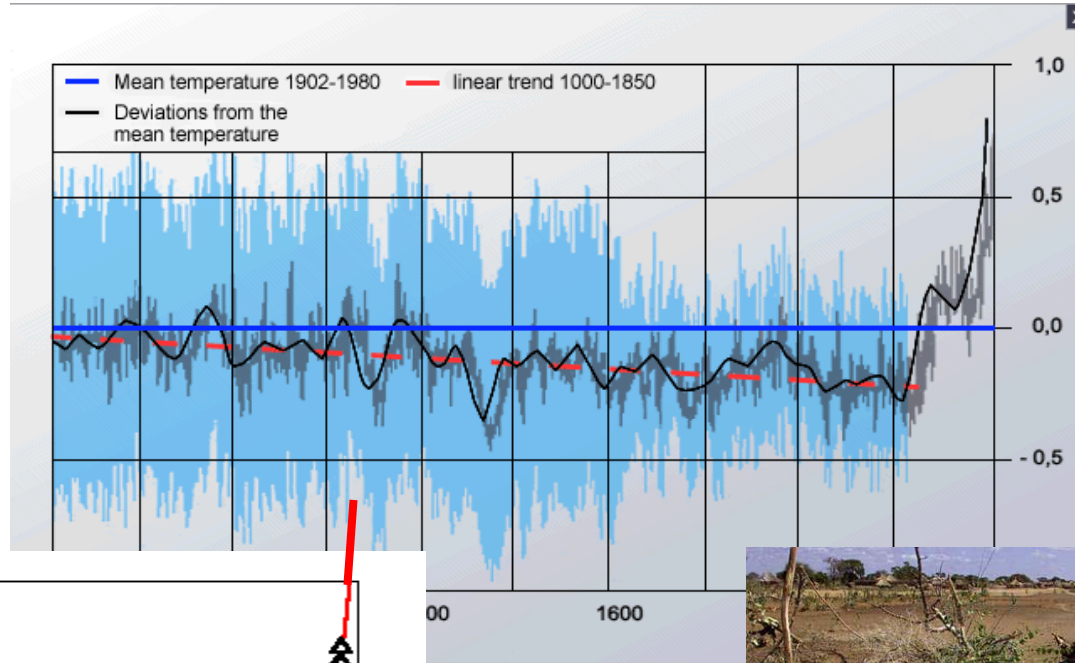


# Insurance tools towards sustainability

- Voluntary standards
- Environmental management systems
- Transparency and reporting
- Knowledge transfer and raising awareness
  - To insurance sector in emerging markets
  - Education and communication
  - To internal and external stakeholders
- Inclusion of sustainability objectives into asset management policies



# What are the future challenges?



# Great Weather Disasters 1950 - 2001

Decade comparison

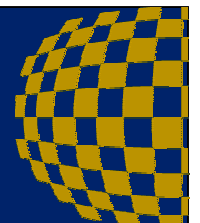
	Decade 1950 - 1959	Decade 1960 - 1969	Decade 1970 - 1979	Decade 1980 - 1989	Decade 1990 - 1999	last 10 1992 - 2001	Factor last 10:60s
<b>Number</b>	13	16	29	44	72	64	4.0
<b>Economic losses</b>	41.2	54.1	79.4	126.1	425.4	362.0	6.7
<b>Insured losses</b>	-	7.2	11.5	23.0	98.9	79.3	11.0

Losses in US\$ billion - 2001 values

MRNatCatSERVICE

As of March 1, 2002

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# Catastrophe Catalogue

[World Map](#) [Basic Information](#) [Catastrophe Catalogue](#) [Geo Specials](#) [Geo Services](#) [Country Profile](#)

[Standard views](#) [User defined views](#)

Country	Date	Event	Region	Fatalities	Losses*
◇ AFRICA	Jan. - March 1992	Drought	South Africa. Namibia. Zimbabwe. Zambia		1000
◇ AFRICA	22.11.1995	Earthquake	Israel. Jordan. Saudi Arabia. Lebanon. Egypt	13	
◇ Algeria	18.8.1994	Earthquake	Mascara	171	
◇ Egypt	12.10.1992	Earthquake	Cairo	561	1200
☒ Egypt	2.-6.11.1994	Floods	Durunka, Asyut, Sohag, Quena	580	140
☒ Kenya	15.1.-1.3.1998	Flood	Nairobi, Mobasa, Garissa	91	33
☒ Madagascar	2.-3.2.1994	Tropical cyclone Geralda	Toamasina	200	10
☒ Malawi	10.-15.3.1991	Floods	Mulanje	500	
◇ Mauritius	Jan. - April 1999	Drought	Entire country		175
☒ Somalia	Oct. - Dec. 1997	Floods	C, E, S	1800	
☒ South Africa	20.3.1990	Tornado	Welkom	2	380
☒ South Africa	25.-26.12.1995	Flash flood	Pietermaritzburg, Edendale	166	10
◇ Sudan	20.5.1990	Earthquakes	Juba	31	

Earthquake
  before 1900
  from 1900
  from 1950
  from 1990
  all

Volcanic eruption
  Storm
  Flood
  Others

▲
  ▲

\* Economic losses in US\$ m

Search result:

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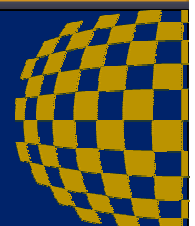
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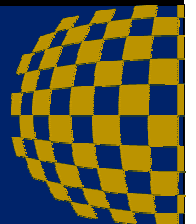
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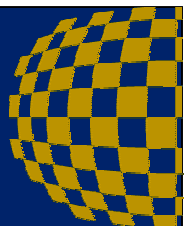
A close-up photograph of a person's hand holding two large, white, spherical hailstones. The hailstones are approximately the size of a golf ball and have a slightly textured, crystalline appearance. The hand is positioned in the center of the frame, with the fingers spread out. The background is dark and out of focus, showing a patterned surface. The text "Hail in Miesbach, Germany" and "August 3, 2001" is overlaid on the bottom left of the image.

Hail in Miesbach, Germany  
August 3, 2001



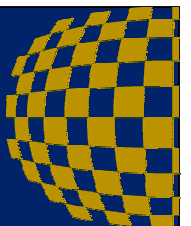
# Future challenges

- Environmental and climate change
- Depletion of resources – fuel, biodiversity, water...
- Excessive inequity
- Technological risks



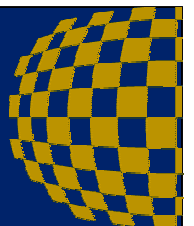
# Areas for improvement

- Gap between economic losses and insured losses
- Insurance does not benefit world's poor
- Lack of flexibility
- Undercapitalization
- ...



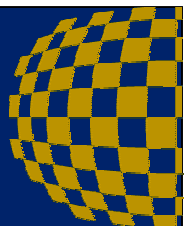
# Key areas to address

- Risk information
  - Upgrade databases
- Human resources
  - Broad range of expertise
- Awareness
- Capital Formation
  - Environmental risks of the future will present the possibility of greater economic losses
  - Innovative means of raising capital required
- Public Policy Formulation



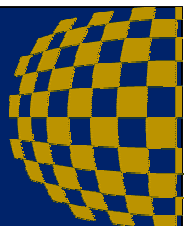
“Far from being a burden, sustainable development is an exceptional opportunity -- **economically**, to build markets and create jobs; **socially**, to bring people in from the margins; and **politically**, to reduce tensions over resources that could lead to violence and to give every man and woman a voice, and a choice, in deciding their own future.”

Message of Secretary-General Kofi Annan, to the European Forum for Sustainable Development and Responsible Company Management, March 2002



# Conclusions for the insurance sector

- Rising losses from climate change and/or environment related risks are going to become more and more important for the sector and will have a «*bottom line*» impact
- Insurance will have to meet the challenges of sustainability through:
  - Streamlining and increasing and/or maintaining market penetration and coverage (eg. to the world`s poor)
  - Pro-active and effective solutions derived through stakeholder consultation and a broad experience base





# UNEP **Finance Initiatives**

Innovative financing for sustainability

**Thank you for your interest!**

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