Finance and Insurance as a Partner for Sustainable Development

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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

<table>
<thead>
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<tbody>
<tr>
<td><strong>Number</strong></td>
<td>13</td>
<td>16</td>
<td>29</td>
<td>44</td>
<td>72</td>
<td>64</td>
<td>4.0</td>
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<tr>
<td><strong>Economic losses</strong></td>
<td>41.2</td>
<td>54.1</td>
<td>79.4</td>
<td>126.1</td>
<td>425.4</td>
<td>362.0</td>
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<tr>
<td><strong>Insured losses</strong></td>
<td>-</td>
<td>7.2</td>
<td>11.5</td>
<td>23.0</td>
<td>98.9</td>
<td>79.3</td>
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</tbody>
</table>

Losses in US$ billion - 2001 values

As of March 1, 2002

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<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Event</th>
<th>Region</th>
<th>Fatalities</th>
<th>Losses</th>
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<tbody>
<tr>
<td>AFRICA</td>
<td>22.11.1995</td>
<td>Earthquake</td>
<td>Israel, Jordan, Saudi Arabia, Lebanon, Egypt</td>
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<td>Algeria</td>
<td>18.8.1994</td>
<td>Earthquake</td>
<td>Mascara</td>
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<td>Egypt</td>
<td>12.10.1992</td>
<td>Earthquake</td>
<td>Cairo</td>
<td>561</td>
<td>1200</td>
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<tr>
<td>Egypt</td>
<td>2.-6.11.1994</td>
<td>Floods</td>
<td>Durunka, Asyut, Sohag, Quena</td>
<td>580</td>
<td>140</td>
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<tr>
<td>Kenya</td>
<td>15.1.-1.3.1998</td>
<td>Flood</td>
<td>Nairobi, Mobasa, Garissa</td>
<td>91</td>
<td>33</td>
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<tr>
<td>Madagascar</td>
<td>2.-3.2.1994</td>
<td>Tropical cyclone Geralda</td>
<td>Toamasina</td>
<td>200</td>
<td>10</td>
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<tr>
<td>Malawi</td>
<td>10.-15.3.1991</td>
<td>Floods</td>
<td>Mulanje</td>
<td>500</td>
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<td>Mauritius</td>
<td>Jan. - April 1999</td>
<td>Drought</td>
<td>Entire country</td>
<td>175</td>
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<td>South Africa</td>
<td>20.3.1990</td>
<td>Tornado</td>
<td>Welkom</td>
<td>2</td>
<td>380</td>
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<td>Sudan</td>
<td>20.5.1990</td>
<td>Earthquakes</td>
<td>Juba</td>
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</table>
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.
Thank you for your interest!

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