International Cooperative and Mutual Insurance Federation

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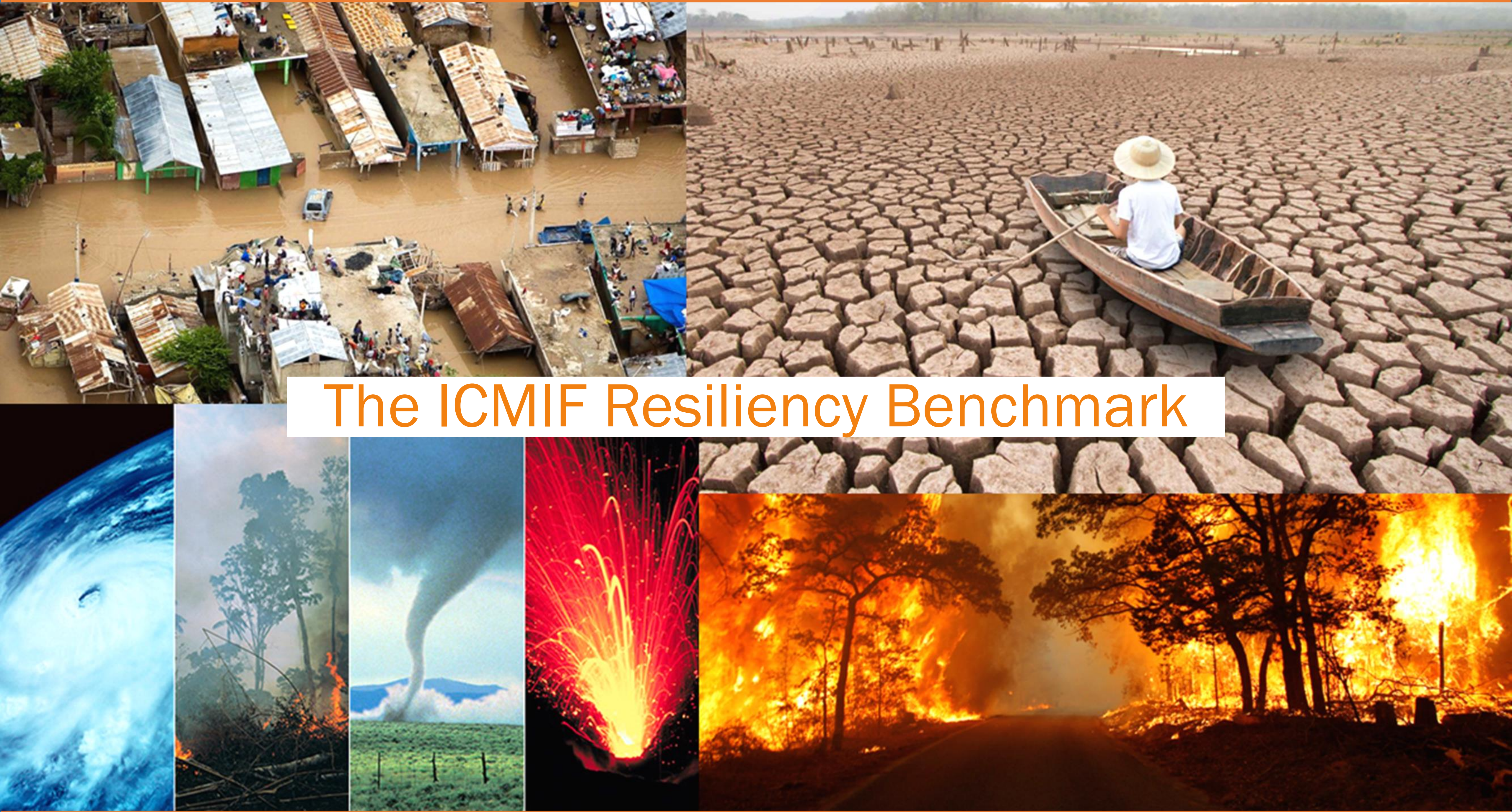
The ICMIF Resiliency Benchmark



Showing the global reach of our network….

7 Mechanisms for supporting DRR through Co-op and Mutual Insurance

Direct mechanisms – for insurance products to reduce disaster risks:

- Apply variable pricing of insurance to provide incentives for risk reduction
- Include prerequisites and exemptions to provide incentives for risk reduction
- Ensure investment reduces and prevents risk and builds resilience

Indirect mechanisms – for insurance providers to reduce disaster risks:

- Raise awareness of the systemic nature of risks and provide transparent information and advice for reducing hazards, exposure, and vulnerability
- Build and share capacity and technology for risk modelling, analysis and monitoring
- Promote and enhance local social capital for responding to disasters and innovating to reduce risks
- Collaborate with the public sector to signal unsustainable development and support decision making towards disaster risk reduction and risk-informed investment while closing protection gap

Mechanism 1 - Apply variable pricing of insurance to provide incentives for risk reduction

*Apply variable pricing of insurance to provide incentives for risk reduction UNDRR (2009) suggest that "**by accurately pricing risk, insurers can incentivise risk-reducing decision making**"*

Pricing using prerequisites and preventative measures behaviors

Influence prevention behaviors before an event

Pricing using behavior monitoring tools and technology

Influence prevention through conducted behavior

Pricing through behavioral choices

Influence prevention through member choices

Pricing through education and understanding

Influence prevention through member education

Mechanism 2 – Include prerequisites and exemptions to provide incentives for risk reduction

UNDRR (2009) describe that "as a prerequisite for coverage, insurers can require that policyholders undertake specific disaster risk reduction measures (UNDRR 2009)." It is further described that "commercial property policies often contain conditions that certain risk control measures should be in place for the policy to be operative, creating a risk management environment for industries and sectors.

Prerequisites and preventative measures behaviour

Influence prevention behaviour before cover commences

Mechanism 3– Ensure investment reduces and prevents risk and builds resilience

*UNDRR (2009) suggests that "**insurers can invest directly in risk reduction measures to avoid large compensation claims**." It is also noted that "in most industrialised countries, risk reduction is financed either by the government (e.g. investments in sea defences) or households*

Ensure investment reduces and prevents risk and builds resilience

Building prevention and resilience measures through investment

Mechanism 4– Raise awareness of the systemic nature of risks and provide transparent information and advice for reducing hazards, exposure, and vulnerability

Insurers can raise awareness and provide advice to their customers on practical ways to reduce disaster risks, including by reducing the severity of hazards, their degree of exposure to hazards, and by reducing vulnerability and/or building their adaptive capacity.

Raise awareness of the systemic nature of risks and provide transparent information and advice for reducing hazards, exposure, and vulnerability

Reduce risk and increase prevention methods through communication and guidance…

Mechanism 5 – Build and share capacity and technology for risk modelling, analysis and monitoring

The OECD (2020) highlighted the importance of the use of modelling for risk management, noting that "***the (re)insurance sector has significant expertise for modelling the financial consequences of natural and man-made catastrophe risks***" and suggests that this capacity could be deployed to inform land-use planning, building code updates and infrastructure investment decisions.

Build and share capacity and technology for risk modelling, analysis and monitoring

Members using their modelling tools and data to share with the broader community for risk reduction across the board

Mechanism 6 – Promote and enhance local social capital for responding to disasters and innovating to reduce risks

"Social capital, the institutions and norms in social relationships that shape the quality and quantity of social interactions, has proven an important characteristic in helping communities in all phases of disaster management."

Promote and enhance local social capital for responding to disasters and innovating to reduce risks

Examples where members are actively working with communities and policy to reduce risk through behaviour and good practices…

Mechanism 7 – Collaborate with the public sector to signal unsustainable development and guide investment to reduce risks while closing protection gaps

Jarzabkowski et al. (2019) describe the role of insurers in signalling unsustainable development, highlighting that *"insurance sends a strong price signal that specific risk-prone areas are only viable to insure if charged with a high premium."*

Collaborate with the public sector to signal unsustainable development and guide investment to reduce risks while closing protection gaps

Members using their power and influence to affect positive risk reduction and resilient change whilst working with governments and state