



Public Private Partnerships for Climate Insurance

Adaptation Futures 2016

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Some ideas

- ↗ Impact of risk on public policy priorities
- ↗ Risk management as a tool for income security and sustainable social and economic development
- ↗ Synergies between the public and private sector
- ↗ Create incentives for ex-ante action and/or to bring about behavioural change



What is a PPP in insurance?

An insurance PPP is a contractual agreement between

the public sector
represented by a
ministry or local
authority through a
government programme

&

private sector
represented by the
insurance industry and
its service providers and
distribution partners

that combines business objectives with public policy goals in a cost-efficient and effective way



Opportunities for governments

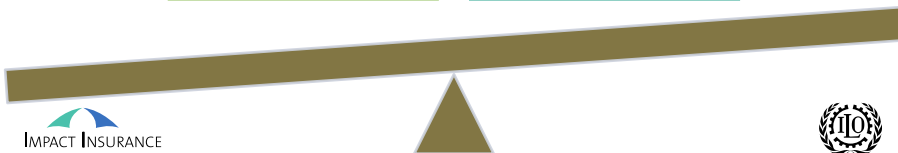
Client-centred approach to product development that can improve the experience of final beneficiaries

More efficient risk transfer to foreign reinsurance markets

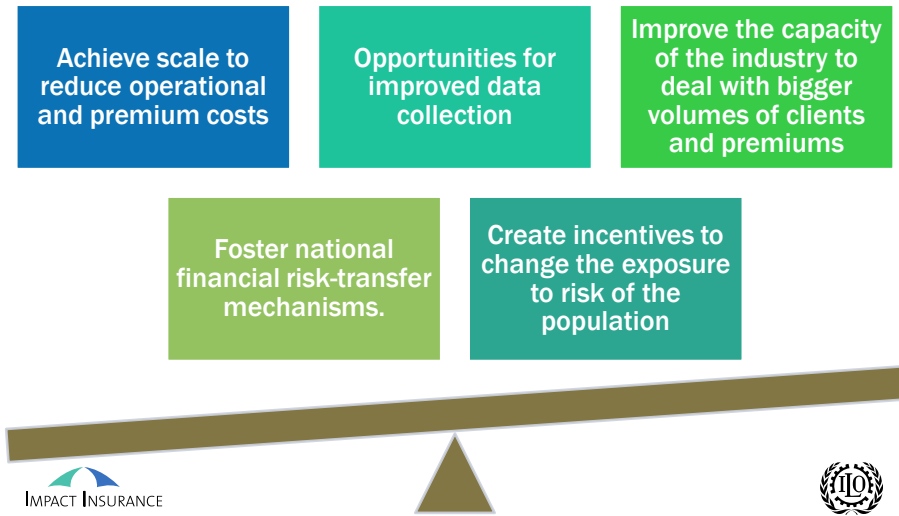
Develop data on different risks to improve diversity of covers

Better budget management as insurance premiums can help to bring certainty around contingent events

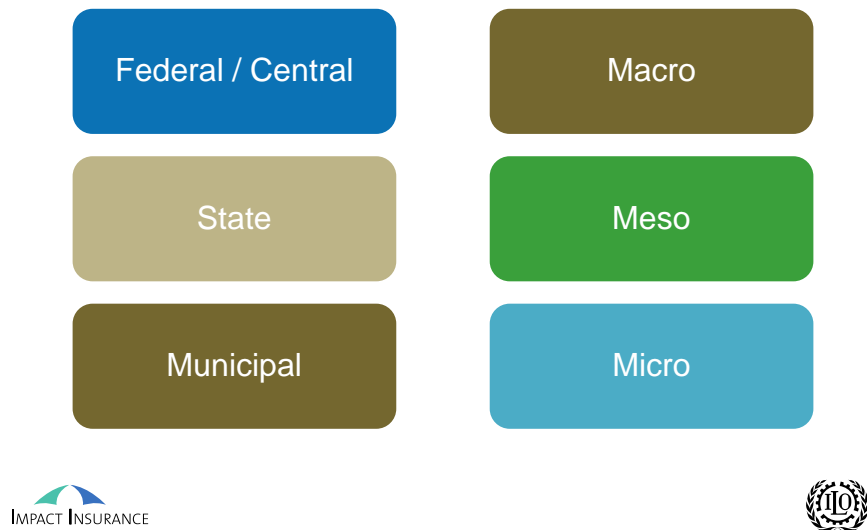
Align incentives within the government to set up the policies that can reduce the exposure to risk



Opportunities for the insurance industry



Working with the government



Some examples of PPPs in for climate insurance

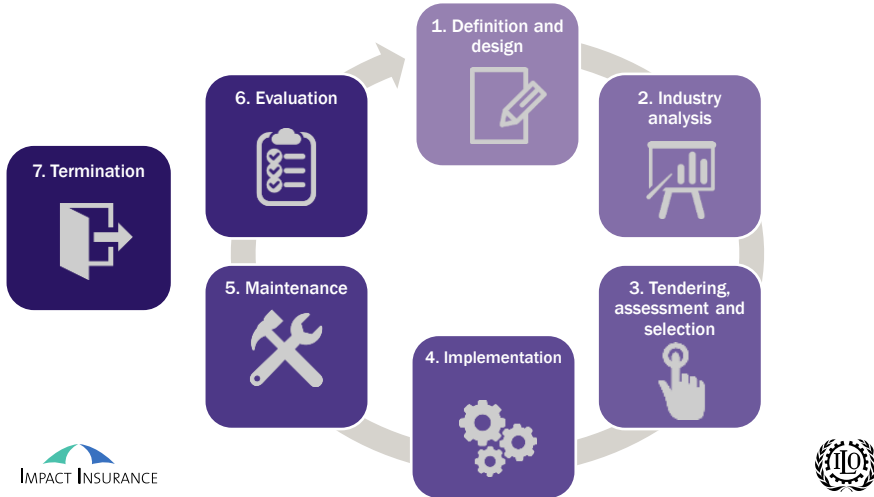
- PPPs are developed in a particular way and framed by their context.
- The design, roles and dynamics that emerge during implementation vary from case to case.



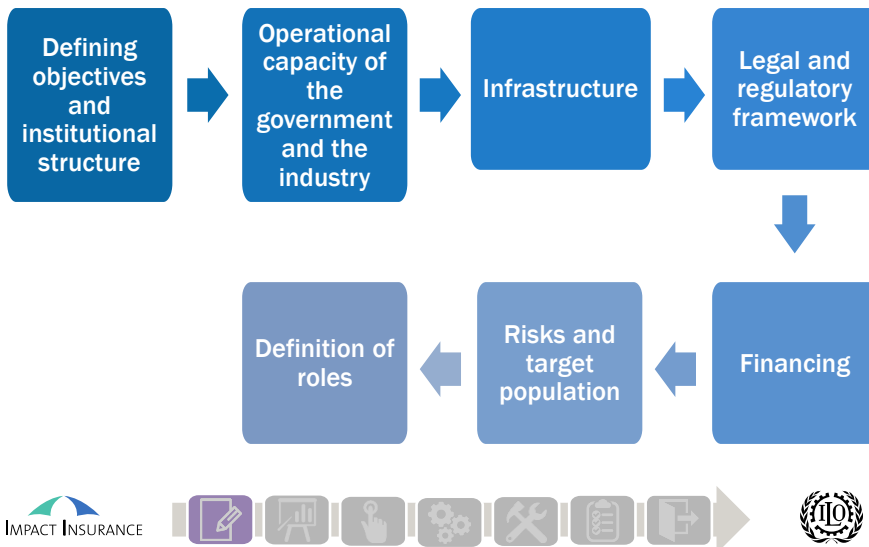
		<p>Seguro Agrícola Catastrófico</p>	<p>CADENA</p>	
Risk				
Gov't Agency				
Levels		<p>Central and state</p>	<p>Central and state</p>	
Target Audience				
Year of launch		<p>2009</p>	<p>2003</p>	
Premium payment		<p>100% - Central Government</p>	<p>80% to 90% - Central Government 10% to 20% - State Government</p>	
Outreach		<p>490 k ha and 56,000 beneficiaries</p>	<p>12 million ha and 10 million animal units</p>	

PPP life cycle

The partnership life cycle is a useful way of understanding the steps involved in the development of a PPP.



1. Definition and design



1.1 Defining objectives and institutional structure

- Setting the objectives of a programme is essential
- Designing a structure
- Choosing indicators that will enable evaluation to take place


The objectives are dependent on the specific policy that the programme is meant to fulfil



In CADENA the main objective was to provide universal coverage against catastrophic events for vulnerable smallholder farmers, while reducing and smoothing budget outlays through ex-ante insurance rather than direct ex-post assistance by 2018.



1.2 Operational capacity of the government and the industry

- Expertise in insurance mechanisms needs to be created at different levels of the government
- Understand the capacity of the local insurance industry, in terms of both operations and capital, to absorb big programmes. 
- Players that may be involved and their degree of development and involvement needs to be taken into account.



1.6 Risks and target population

Definitions of beneficiaries and risks based on clear population segmentations

Easy to identify and reach



Understanding the risks faced by a target population

Risks should be defined on the basis of demographic or risk maps

Studies are useful to gather information as well as to identify needs

The population can be segmented using geographical, demographic, behavioural or socio-economic parameters, among others.



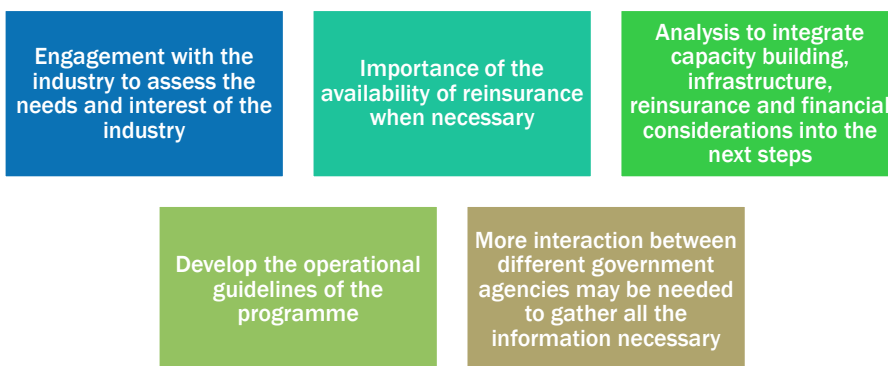
1.7 Definition of roles



- ✦ The assignment of roles can depend on factors such as the capacity of each partner, the financing structure, the legal framework and the maturity of the market
- ✦ An analysis of critical activities will help to prioritize and define the ones that are crucial to the success of the partnership

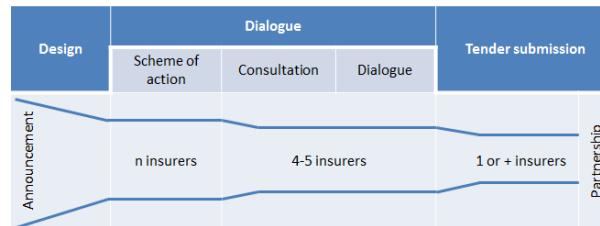


2. Industry analysis



3. Tendering, assessment and selection

- Think about competitive tendering processes to guarantee transparency and maximize chances of identifying the best partner



4. Implementation

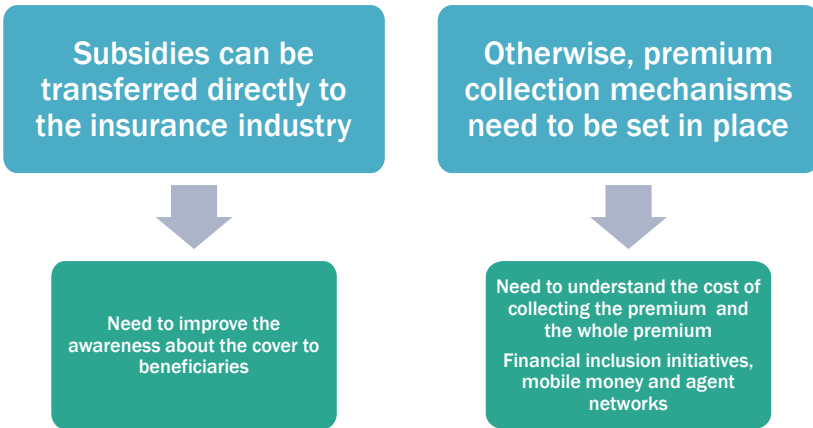
- The main challenges of a PPP usually appear during the implementation stage
- After the partner-selection process, the next step is agreeing on the terms of the partnership and the implementation process



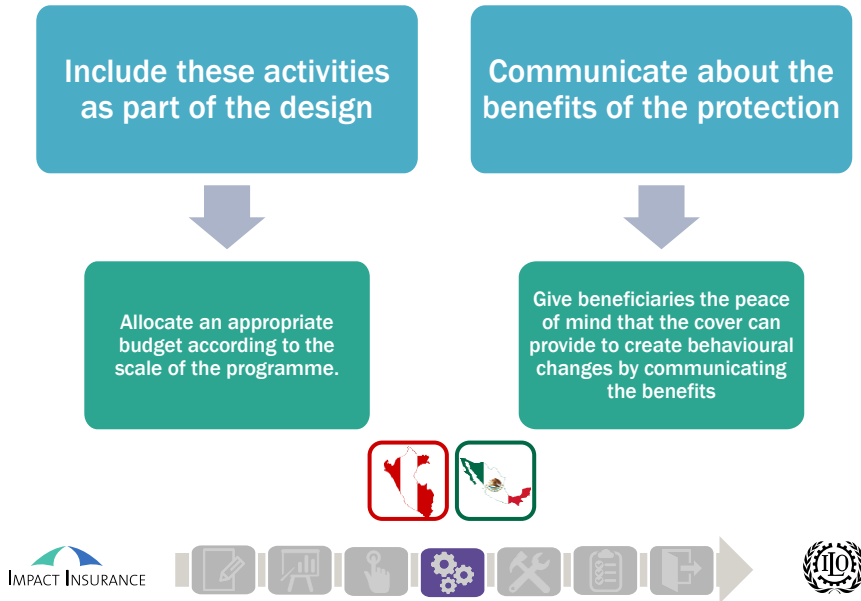
SAGARPA coordinates the entire CADENA scheme. This includes defining subsidies, target segments, rules and guidelines; monitoring the scheme overall; managing subsidies; and negotiating the terms of centralized coverage options through public insurer Agroasemex. The states identify areas, risks and crops to insure; purchase coverage through one of the CADENA mechanisms; report emergencies and hazards as they occur; claim and receive benefits; and distribute benefits to covered farmers.



4.3 Premium payment



4.4 Communication and promotion



4.5 Claims

- Servicing beneficiaries is important to improve people’s experience with insurance



- Expedite claims and raise awareness about the benefits of insurance among target populations



Ten recommendations for successful PPPs in insurance

<p>Strategic approach with flexibility</p>	<p>Clear definitions of the target beneficiaries and segments</p>	<p>A solid legal and regulatory framework</p>	<p>Use of insurance to complement public policy</p>	<p>Clear allocation of roles between public and private sector</p>
<p>Capacity building for the different levels of the public sector</p>	<p>Capacity building of the private sector</p>	<p>Endeavours to improve the value of products to be offered</p>	<p>Monitoring and evaluation systems with clear indicators</p>	<p>Focus on a knowledge-management approach</p>



Thank you!



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