

Generali and UNDP launch joint report on using “Parametric insurance to build financial resilience”

- With faster pre-agreed payouts based on ‘triggers’ rather than assessed losses, parametric insurance is speeding up recovery from climate-related hazards and other shock events, especially for communities in vulnerable contexts
- New case studies demonstrate how parametric insurance solutions are contributing to improved financial resilience for households, businesses and global value chains
- The report provides a framework for assessing the effectiveness of parametric insurance and a checklist for governments, businesses and communities to evaluate whether parametric insurance can help them promote sustainable development

Milan – On October 4th, 2024, **Generali** and the **United Nations Development Programme (UNDP)** launched a joint report demonstrating how parametric, or index-based, insurance can support governments, businesses and communities around the world to financially prepare for increasingly frequent and severe natural hazards, from drought, extreme heat and tropical cyclones to storm surges, earthquakes and other shocks.

The report “**Parametric insurance to build financial resilience**” explores how this alternative insurance solution can help **close the US\$1.8trillion protection gap** – which is the difference between insured and uninsured losses – for communities and countries on the frontlines of interrelated crises, including climate change.

With parametric policies, pre-agreed **payouts are based on independently verified triggers**, such as too much or too little rainfall, instead of assessed losses, resulting in faster payouts and swifter recovery from shocks in the wake of climate-related events and natural hazards.

As a complementary risk transfer mechanism to fill gaps left by traditional indemnity-based insurance, the report highlights how parametric insurance can also help governments, financial institutions, businesses and households increase productivity and incentivise investments that are necessary for a sustainable future. However, collaboration among all stakeholders involved is of critical importance to make an impact and protect especially vulnerable communities.

Christian Kanu, CEO of Generali Global Corporate & Commercial (GC&C) said: “*This report demonstrates our commitment to addressing the protection gap by offering innovative insurance solutions that can strengthen the resilience of underinsured communities in many regions of the world. Parametric insurance can be transformative, providing cost-effective, efficient risk coverage to those previously unreachable by traditional insurance. Consequentially, this helps communities and businesses cope with natural hazards and*



operational interruptions. At Generali GC&C, we are proud to be the Group's center of excellence for parametric insurance, and we will continue striving to be Lifetime Partners for our clients."

Jan Kellett, Global and Corporate Lead on Insurance and Risk Finance at UNDP, said: *"Of critical importance to this work is the role of government. Our joint UNDP-Generali report makes one thing clear - the insurance industry cannot scale parametric solutions to build financial resilience without the appropriate ecosystem. Development actors must significantly increase efforts to establish supportive regulations and policies that allow parametric insurance to contribute meaningfully to closing the financial protection gap."*

Case studies: "Parametric insurance to build financial resilience"

A drought in Malawi, where 80% of the population works in agriculture, creating food insecurity. An earthquake in Mexico, where only 22% of \$5.8 billion in the 2017 earthquake losses were covered by insurance, exposing the social services safety net of a country where 36% of the population lived in poverty in 2022. With climate change, stronger and more recurrent extreme heat waves are risking the livelihoods and health of people in India, particularly within the informal economy, where 90% of women in India's labour force work. These are three of seven case studies (from Generali Global Corporate & Commercial, Descartes Underwriting, African Risk Capacity, Blue Marble, CelsiusPro, Swiss Re and WTW) that demonstrate how a range of parametric solutions available in the market are being deployed successfully across various sectors and risks.

Public-private partnerships as a collective effort to promote sustainable development

The UNDP-Generali partnership has an ongoing **commitment to scale financial protection by fostering wider public-private collaboration**. As part of this commitment, the report serves as a comprehensive guide for **governments, organisations, and insurers** to explore the benefits of parametric insurance in building their financial resilience in the face of rising uncertainty. The report includes tools designed to make parametric insurance more accessible for those who are interested in understanding how it can be part of a broader risk management strategy. This includes a checklist for organisations considering parametric insurance, from identification of key economic sectors to better understanding the claims process. Furthermore, for organisations considering adding parametric products to existing portfolios as part of sustainability programmes, case study-based examples provide a framework to measure the impact of such policies.

It also makes recommendations on how governments, organisations, and insurers can work together to create the kind of ecosystem necessary to support the growth of parametric insurance as a tool to protect vulnerable communities.

THE GENERALI GROUP

Generali is one of the largest global insurance and asset management providers. Established in 1831, it is present in over 50 countries in the world, with a total premium income of € 82.5 billion in 2023. With around 82,000 employees serving 70 million customers, the Group has a leading position in Europe and a growing presence in Asia and Latin America. At the heart of Generali's strategy is its Lifetime Partner commitment to customers, achieved through innovative and personalised solutions, best-in-class customer experience and its digitalised global distribution capabilities. The Group has fully embedded sustainability into all strategic choices, with the aim to create value for all stakeholders while building a fairer and more resilient society.

GENERALI GLOBAL CORPORATE & COMMERCIAL

GC&C provides insurance solutions and P&C services to medium-large companies and intermediaries in over 180 countries worldwide. Backed by its solid global experience and knowledge of the local markets and of the corporate sector, integrated solutions that can be personalized in properties, casualty, engineering, marine, aviation, cyber and specialty risks are provided. Furthermore, GC&C guarantees companies the same level of assistance and protects everywhere in the world through its Multinational Programs, Claims and Loss Prevention experts. GC&C's total earned premiums were € 3.1 billion in 2023. GC&C is part of Global Business Activities.



GENERALI AND UNITED NATIONS DEVELOPMENT PROGRAMME PARTNERSHIP

The report stems from [Generali and UNDP's multiyear partnership](#) signed in 2022 to support developing countries with access to insurance and risk finance solutions that enhance the resilience of communities, small and medium enterprises (SMEs), and global value chains to climate and other risks. Under this partnership, Generali has committed technical and financial resources to UNDP's [Insurance and Risk Finance Facility \(IRFF\)](#) in order to increase the socioeconomic wellbeing of some of the world's most vulnerable people and places. The partnership blends Generali's insurance expertise with UNDP's long-term focus on financing and development.

UNITED NATIONS DEVELOPMENT PROGRAMME

The UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet.

UNITED NATIONS DEVELOPMENT PROGRAMME SUSTAINABLE FINANCE HUB

UNDP Sustainable Finance Hub brings together UNDP's financial expertise to harness public and private capital for the Sustainable Development Goals (SDGs)- supporting governments, investors and businesses in reaching climate, social impact and sustainability targets. Its work drives systemic change towards a sustainable financial architecture that benefits people and the planet. Find out more about its integrated services that ensure all finance is sustainable, at <http://www.sdgfinance.undp.org> or follow [@UNDP_SDGFinance](#)

UNITED NATIONS DEVELOPMENT PROGRAMME INSURANCE AND RISK FINANCE FACILITY

UNDP's Insurance and Risk Finance Facility is charting new pathways to build resilience, incentivize growth and safeguard development. Housed within UNDP's Sustainable Finance Hub, the Facility is using insurance and risk transfer to increase the financial resilience of countries, communities, households, businesses, nature and food systems. Learn more at www.irff.undp.org