Seven Latin American cities pioneering climate insurance with Urban Infrastructure Insurance Facility (UIIF)

18 June 2024, São Paulo, Brazil. During the ICLEI World Congress 2024, the triennial gathering of local governments committed to sustainability, seven cities from Mexico, Brazil, Jamaica and Honduras, have officially joined the Urban Infrastructure Insurance Facility (UIIF). This pioneering project takes aim at the challenges cities face in achieving urban resilience against natural hazards by developing innovative insurance solutions that could benefit millions of vulnerable people across Latin America and the Caribbean.

Curitiba, Porto Alegre and Recife in Brazil, Reynosa and Mérida in Mexico, Tegucigalpa, Honduras, and Kingston, Jamaica, are the first eight cities to join the initiative.

Latin America and the Caribbean is one of the most urbanized and socially unequal regions in the world, facing significant challenges due to the rapid expansion of cities and the increasing frequency of extreme weather events. More than 100 million people in the region live in urban slums, with their livelihoods frequently disrupted by natural disasters.

The UIIF project is a critical step towards mitigating these disruptions and fostering sustainable urban development. This facility helps cities understand and measure their risks, making it easier for them to get protection against natural hazards. This includes risk transfer solutions (insurances) customized to meet their unique needs.

Gino Van Begin, Secretary-General of ICLEI, said: "Committing to this ICLEI initiative and facility is a significant step for these cities in proactive resilience and preparedness. Pioneering the integration of tailored climate insurance into their disaster risk management strategies will protect their most vulnerable communities and critical infrastructure from the impacts of climate change."

The Urban Infrastructure Insurance Facility (UIIF) project is funded by KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). Annemie Denzer-Schulz, Representative of Germany’s KfW Development Bank, remarked: "The collaboration with ICLEI and the participating cities under UIIF exemplifies how innovative financial tools can transform urban risk management. By pooling risks and leveraging economies of scale, we are enabling cities to access more affordable insurance options. This is about building a safer, more equitable future where cities can swiftly recover from disasters without compromising their development goals."
Cities will undergo a risk assessment of their critical assets and areas, informing insurance coverage products to meet their specific needs. These products aim to ensure that vulnerable groups have access to financial resources in the aftermath of a natural disaster, enabling them to rebuild their homes and livelihoods.

The project’s risk pool is funded by participating cities, with subsidies from UIIF covering up to 60 percent of the insurance cost in the first year, 30 percent in the second, and 10 percent in the third. Following damaging natural disasters, the insurance provider ensures rapid delivery of financial resources to rebuild critical infrastructures and support the most vulnerable residents.

David Jacome Polit, Head of ICLEI’s Resilient Development and former Chief Resilient Officer for Quito, Ecuador, highlighted the strategic importance of the project, both regionally and internationally: "By joining UIIF, these cities are not only protecting their people and infrastructure, they are also setting a benchmark for urban resilience in Latin America and the Caribbean, as well as globally.”

Urban resilience insurance has become an important topic globally. Last year, the Vulnerable Twenty Group (V20) together with the Group of Seven (G7) launched the Global Shield against Climate Risks, which aims to provide rapid financial protection for climate-vulnerable countries through pre-arranged support like insurance and contingency funds.

Jacome Polit added, "UIIF aligns seamlessly with the Global Shield against climate risks, an initiative launched by Germany during its G7 presidency aimed at bolstering financial protection against climate-related disasters. This is a clear signal that cities are taking the lead in preparing for the future.”

For more information about UIIF and the benefits it offers to cities, please visit uiif-resilience.org.

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About ICLEI:

ICLEI – Local Governments for Sustainability (known as "ICLEI") is a global network of more than 2,500 local and regional governments committed to sustainable urban development. Active in 125+ countries, ICLEI influences sustainability policy and drives local action for low emission, nature-based, equitable, resilient and circular development. ICLEI Members and its team of experts work together through peer exchange, partnerships and capacity building to create systemic change for urban sustainability.
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