

---

## MCII contribution to UNFCCC synthesis publication

### Introduction

The Munich Climate Insurance Initiative (MCII) was launched by in response to the growing realisation that insurance-related solutions can support the adaptation to climate change advocated in the Framework Convention and Kyoto Protocol. This initiative brings together experts on climate change and adaptation, NGOs and policy researchers as well as the private sector intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering point for insurance-related expertise on climate-change impact issues.

The Munich Climate Insurance Initiative is a registered non-profit association active in the promotion of international understanding, development aid and environmental protection. It is especially concerned with international frameworks (UNFCCC, World Bank, international development goals, etc.) and risk reduction, public-private protection and insurance mechanisms for those particularly affected by global climate change and climate-related hazards and the consequences thereof in general.

### Outputs

#### *MCII action pledge*

**MCII strives to support Parties with technical and other information that will enable a sound discussion of the benefits of insurance mechanisms to facilitate and realize adaptation to climate change, particularly in developing countries.**

>>> MCII has engaged with Parties in talking about insurance and climate change in the course of the UNFCCC climate negotiations (2005 – present) and has contributed to raising awareness of insurance as a possible tool for adapting to climate change. The initiative has also helped bring research and technical capacity to a relevant policy forum where this mechanism is currently under discussion. MCII has helped establish and build networks of technical experts. These experts work with Parties to identify examples of current approaches and possible alternatives for that may be useful for Parties as they consider how to include climate risk insurance into their specific country efforts in risk reduction and adaptation to climate change.

MCII has assisted in shaping the dialogue about ways to link DRR and insurance for adaptation purposes. MCII strives to help developed and developing countries find areas where interests align and where adaptation through mechanisms such as insurance may make sense.

The work has at times resulted in concrete papers and points of dissemination. Recent examples include inputs to media and thought papers for delegates (some of which have subsequently been published):

- MCII panel „What the Copenhagen Agreement can do to protect the most vulnerable against the risks of climate change: the roles of prevention and

insurance”, UNFCCC Media Training Workshop, 6 - 8- April 2009. At April Bonn Climate Talks.

- Warner, K., Ranger, N., Surminksi, S., Arnold, M., Linnerooth-Bayer, J., Michel-Kerjan, E., Kovacs, P., Herweijer, C. 2009. Adaptation to climate change: Linking disaster risk reduction and insurance. A policy paper prepared for the 2009 Climate Negotiations. Bonn, Germany. Produced in close collaboration with the UN International Strategy for Disaster Reduction (UN ISDR) and the United Nations University.
- Warner, K., Spiegel, A. 2009. Climate change and emerging markets: The role of the insurance industry in climate risk management. In: The Geneva Reports Risk and Insurance Research. [www.genevaassociation.org](http://www.genevaassociation.org). No. 2. The Insurance Industry and Climate Change—Contribution to the Global Debate. July 2009.
- Linnerooth-Bayer, J., Warner, K., Bals, C., Hoeppe, P., Burton, I., Loster, T., Haas, A. 2009. Insurance, Developing Countries, and Climate Change. Special issue on Climate Change and its Economic Impact on Insurance. The Geneva Papers on Risk and Insurance – Issues and Practice. (July 2009)
- Gurekno, G. (ed.) 2006. Insuring the Uninsurable: Design options for a climate change funding mechanism. Climate Policy, special journal edition. Volume 6, Number 6, 2006.

### **MCII strives to see an insurance mechanism in the Copenhagen Agreed Outcome.**

>>> Between June 2008 to the present (Autumn 2009), MCII contributed submissions to the UNFCCC related to risk reduction and insurance. These submissions have helped support Parties in including this issue in the draft negotiating text leading towards Copenhagen. It is hoped that MCII’s submissions have helped Parties by answering their questions on the different elements of the MCII proposal. MCII experts have worked with Party groups to explore alternative institutional arrangements and other technical details for particular country needs.

### **Additionally MCII promotes the greater use of insurance mechanisms to help developing countries manage weather-related extreme events.**

>>> MCII has worked with particular organizations such as UNDP, World Bank, ISDR, and humanitarian organizations to raise awareness about risk reduction and insurance for developing countries. Presentations, expert panels, and workshops have provided awareness raising opportunities. Conferences such as the March 2009 Copenhagen Climate Conference, ISDR’s Global Risk Reduction Platform, the Global Humanitarian Forum, the United Nations 64<sup>th</sup> General Assembly, and various other international meetings have provided for a for MCII events. Journalists have shown interest in the topic of risk reduction and insurance, with articles appearing in Nature, New Scientist, International Herald Tribute, New York Times, and other media sources.

## **Indicators of achievement**

**The presence of insurance mechanism(s) in the negotiations text in 2009.**

>>>The current negotiation text (draft) reflects the elements supported by MCII: risk reduction at all levels, support of insurance and other risk sharing measures such as microinsurance, and international insurance approaches to help developing countries manage the risks of severe weather events. AOSIS and other Parties champion this cause, and MCII supports these and other Parties with technical information and alternatives.

**The gradual increase of insurance mechanisms at all levels (micro-, meso-, and macro-) to manage the risk of extreme weather events in developing countries.**

>>> MCII has networked with operational organizations and academics (notably IRI Columbia University which recently published a milestone work on index-based insurance and climate adaptation<sup>1</sup>, UNDP, CCRIF and others) involved in the increased provision of insurance and risk reduction measures in developing countries. MCII itself has welcomed new members from stakeholders which are implementing microinsurance schemes in countries suffering from weather related disasters and can directly influence the implementation process through wide spread expertise and learn from the projects outcomes.

**Increased insurance industry engagement and dialogue with the public sector in the climate negotiations.**

>>> MCII has reached out to the private sector and insurance-related initiatives and platforms to discuss climate risk insurance in developing countries. These efforts have prompted discussion with insurance associations like the the EU Insurance Association, Association of British Insurers, Samoan Insurance Association, ClimateWise, the DFID Task Force on the Financial Sector and Climate Adaptation, and the German Association of Insurers. These private sector colleagues have offered positive feedback and additional suggestions about risk reduction and insurance in the context of climate adaptation. These activities have contributed to greater awareness and interest among private sector actors in public-private-partnerships in particular product lines (such as microinsurance) or regions (such as in the Pacific). Private sector actors have offered to provide more detailed examples of how to put up risk reduction efforts in place.

Recently, MCII and the topics it supports have been mentioned in various high-level reports, including reference to insurance, in the context of adaptation to climate change, in a paper by the G20 Expert Group on Climate Change Financing which highlights the role of “insurance markets where the private sector can assist with adaptation to the risks posed by climate change”. The Swedish Commission on Sustainable Development, The UNEP Finance Initiative, and other reports have called for linked risk reduction and insurance approaches in a comprehensive adaptation package, sometimes referring to MCII’s submission.

## Good practices and lessons learned

---

<sup>1</sup> Hellmuth, M.E., Osgood, D.E., Hess, U., Moorhead, A., and Bhojwani, H. (eds). 2009. Index insurance and climate risk: Prospects for development and disaster management. Climate and Society No. 2. International Research Institute for Climate and Society (IRI), Columbia University, New York, USA.

As the frequency and intensity of extreme weather events mount, the urgency of building on successful risk reduction initiative is increasing as well. Climate risk Insurance can be a useful component of a comprehensive risk reduction strategy. However, insurance solutions can only support effective adaptation where they are implemented among measures to reduce disaster risk and increase societal resilience. If not embedded in a comprehensive risk reduction strategy, insurance could encourage risk taking behaviour, potentially leading to greater fatalities and damage.

This is one reason that MCII suggests that risk reduction be a central component of adaptation. Within this component, insurance approaches can be linked to risk reduction. Additionally, it is important that risk sharing and risk reduction be present for medium and high level risks which might overwhelm the capacity of vulnerable communities and countries to address these risks.

Today the need is greater than ever to reduce and transfer risk in ways conducive to climate change adaptation and sustainable development. Insurance, if properly designed, can be a valuable risk management tool to support adaptation in developing countries. To harmonize climate risk insurance with adaptation, it is essential to align incentives with disaster risk reduction. The new climate change agreement in Copenhagen in December 2009 represents a historical chance to establish a comprehensive risk management framework that prioritizes disaster risk reduction. Planning with the end in mind—to help developing countries adapt to and manage the climate risks they face—will help negotiators fit elements like insurance into a larger adaptation package. By placing disaster risk management and risk reduction first, insurance mechanisms in the emerging climate agreement could be designed in ways that help motivate and shape resilience and adaptation to climate change.

## **Challenges / opportunities for the future**

Numerous challenges remain, however. While the Bali Action Plan calls upon policymakers to consider insurance as part of an adaptation strategy, it offers little detail on how this goal can be achieved. The single greatest challenge in the context of the current (2009) climate negotiations is for Parties to lay out the most important points of the Copenhagen Agreement, and to place risk reduction and insurance in the appropriate place within that agreement, with the appropriate (financial) commitment. Following this, more detailed plans for implementation must be worked out. Enabling conditions must be enhanced: Weather risk insurance markets still remain rather nascent, particularly in the developing countries, due to the lack of reliable data, low incomes and often misguided government policy on post-disaster compensation. Despite major advancements in weather risk modeling technology and development of innovative weather risk transfer instruments, these by and large remain inaccessible to enterprises and households in developing countries. To make weather risk insurance a main stream post-2012 adaptation strategy in developing countries, a strong commitment is needed on the part of international development organizations, donor governments and the governments of developing countries to the development of national, regional and global weather risk markets as well as alternative risk transfer mechanisms in the countries where the markets are still nascent.

## Annex 1: MCII Activities (2008 to Autumn 2009)

### MCII table of activities

Name of event or activity	Date	Contribution
DFID Financial Sector Task Force on Climate Change Adaptation	26 February 2008	Presentation: "MCII activities related to climate insurance mechanisms to facilitate adaptation to climate change"
Accra Climate Change Talks – 3rd session of the AWG-LCA and 6th session of the AWG-KP	21-27 August 2008	Delegate dinner to introduce the MCII submission to the Parties of the UNFCCC
International Disaster Reduction Conference (Davos)	25-27 August 2008	Workshop moderation: "Index-based insurance solutions (in Africa and Asia) and the role of different actors on the implementation of these mechanisms"
Bonn Climate Change Talks – 28th Session of the Subsidiary Bodies, AWG-LCA 2 and AWG-KP 5 (Bonn)	02-13 June 2008	<ul style="list-style-type: none"> <li>Side event: "Climate insurance as a mechanisms to adapt to climate change"</li> <li>Delegate dinner to discuss the MCII proposal with Parties</li> </ul>
ERGO-workshop	09 September 2008	Moderation of expert discussion on "Microinsurance for developing countries and emerging markets"
MCII/Germanwatch workshop on "Risk management and insurance solutions in face of climate change: The way forward in Poznan and Copenhagen"	31 October 2008	Implementation and moderation of the workshop
United Nations Climate Change Conference at its fourteenth session (COP-14) / Twenty-ninth sessions of the Subsidiary Bodies, CMP 4, AWG-LCA 3 and AWG-KP 6 (Poznan)	02-13 December 2008	<ul style="list-style-type: none"> <li>Presentation at the AWG-LCA 3 panel: "Insurance Instruments for Adapting to Climate Risks: Moving towards Copenhagen"</li> <li>Joint Side event with IRI: "Climate Risk Insurance"</li> <li>Delegate dinner to discuss the MCII proposal and explore specific needs and questions of the Parties</li> </ul>
Global Development Network Conference (Kuwait)	02 February 2009	<ul style="list-style-type: none"> <li>Presentation: „Climate Risk Insurance: Viewing Adaptation through a Risk Management Lens“</li> </ul>
Scientific Congress "Climate Change: Global Risks, Challenges and Decisions" (Copenhagen)	10-12 March 2009	<ul style="list-style-type: none"> <li>Implementation and Moderation of the side event: „Adaptation and Climate Risk Insurance“</li> </ul>
Industry roundtable discussion on "An Industry View on Adaptation and Insurance Frameworks for Managing Climate Change Risks in Developing Countries"	30 March 2009	<ul style="list-style-type: none"> <li>Moderation of roundtable discussion</li> </ul>
Bonn Climate Change Talks – 7th session of the AWG-KP and 5th session of the AWG-LCA	29 March-08 April 2009	<ul style="list-style-type: none"> <li>Side event: "How can Insurance reduce disaster risk and enhance adaptation to climate change?"</li> <li>Delegate dinner to discuss concrete needs and questions with key Parties</li> </ul>
Bonn Climate Change Talks - 30th sessions of the UNFCCC Convention subsidiary bodies (SBSTA & SBI), 6th session of the AWG-LCA and the 8th	01 June-12 June 2009	<ul style="list-style-type: none"> <li>Side event: "Climate Risk Insurance"</li> <li>Delegate dinner to discuss specific details of the MCII proposal with key Parties</li> </ul>

session of the AWG-KP		
MCII/Germanwatch workshop on „Addressing the most vulnerable people in a Copenhagen climate deal: Technical alternatives from risk management approaches?“	17 September 2009	Implementation and moderation of the workshop
Munich Re / LSE symposium on “Insurance and Disaster Risk Reduction in a Changing Climate” (Munich)	07 October	Presentation: “Risk Reduction and Insurance: What are the Key Questions in the UNFCCC Climate Negotiations Leading to the Copenhagen Climate Summit?”
Geneva Papers Journal article	The Geneva Papers, 2009, 34, (381 – 400)	“Insurance, Developing Countries and Climate Change“
Geneva Papers Book Chapter	The Geneva Reports – Risk and Insurance Research No. 2, July 2009	The insurance industry and climate change – Contribution to the global debate
New York Times	April 2009	“A move to make the insurance industry part of a post-Kyoto approach to climate risks“ (highlighted MCII proposal)
New Scientist	July 2009	“An insurance plan for climate change victims“ (highlighted MCII proposal)
Nature	August 2009	“Insuring Against Climate – Negotiators push for policies to help weather climate disasters“ (highlighted MCII proposal)
UNDP paper	September 2009	“Access to insurance by Developing Countries Against Climate Related Disasters“