

**WORK PROGRAMME  
CONSULTATION WITH INSURANCE SECTOR  
ON FINANCE AND INVESTMENT  
FLOWS TO ADDRESS CLIMATE CHANGE**

18 Lincoln's Inn Fields, London, WC2A 3ED  
20 June 2007, London

9:30-13:00 (coffee-break at 11:00-11:15)	<p>The one-day event will be divided into two parts: <b>1) Insurance Sector and Adaptation</b> and <b>2) Insurance Sector and Mitigation</b>. The objective is to identify how to enhance insurance sector participation in the management of climate change risks and in finance and services for carbon markets/ clean technology development. The focus should be based on the following questions:</p> <p style="text-align: center;"><b><u>Morning Session: Insurance Sector in Adaptation</u></b> <b>Facilitator: Andrew Dlugolecki</b></p> <ul style="list-style-type: none"> <li>• <b>What are the barriers and risks faced by insurers both technically and financially in the context of increasing climate change risks?</b> <ul style="list-style-type: none"> <li>- <i>Technical risk:</i> Meteorological data and asymmetric information Changing structure and frequency of extreme weather events Damages increasing non-linearly with weather intensity Historically based premiums that lag behind actual losses</li> <li>- <i>Market-based risk:</i> Counterparty risk / reinsurance issues Rising Claim volumes</li> <li>- <i>Regulatory issues:</i> Price / coverage controls Product limitations Limits to foreign investment</li> <li>- <i>Other issues:</i> Poor risk management Lack of awareness, poor construction in design or implementation, etc Easy to access alternative systems, such as free / cheap disaster relief</li> </ul> </li>   <li>• <b>How can the insurance sector play a more effective role in addressing the economic costs of extreme events?</b> <ul style="list-style-type: none"> <li>- To what extent can insurance be adapted to address “uninsurable risks” emerging in the new climate change scenario?</li> <li>- Should insurance associations be set up to pool risks among countries / parties?</li> <li>- Is there a need for international subsidization or collective loss sharing?</li> <li>- How could the insurance sector support adaptation to climate change in sectors like forestry, agriculture and wetlands?</li> </ul> </li>   <li>• <b>What risk transfer mechanisms, singly or in combination, suit different climate change risks?</b> <ul style="list-style-type: none"> <li>- Different formats of alternative risk transfer mechanisms e.g. Conventional to parametric forms of insurance, Weather derivatives and catastrophe bonds, Multi-state risk pooling mechanism, Regional reinsurance facility (like CCRIF), Micro-insurance, Public-Private Partnership Model, Public sector export credit agencies, etc.</li> <li>- Different risks (public sector, business sector, urban consumers, primary sector subsistence)</li> </ul> </li>   <li>• <b>How could national regulatory frameworks / international regime provide adequate incentives for the insurance sector to address climate change risk in developing countries?</b> <ul style="list-style-type: none"> <li>- Is there a need to have a fresh look at the institutional and regulatory framework of the insurance sector to better address climate change risk?</li> <li>- How could institutional incentives be provided to transform the traditional disaster relief approach to risk transfer approach through insurance in the long term?</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>- How to avoid the high premiums for end-users in developing countries, and make insurance coverage accessible to the poor in developing countries?</li> <li>- What role should national (safety nets, national regulation, etc)/ regional (technical support, regional cooperation, etc)/ international actors (international regime) play in this case?</li> <li>- Challenges: Limited financial and human resources <ul style="list-style-type: none"> <li>Exposes regional insurance industry once linked to global reinsurance market</li> <li>Government assets are not insured / underinsured</li> </ul> </li> </ul> <p>• <b>What is the role of the Climate Change Convention and the Kyoto Protocol in promoting the participation of insurance sector in this area? Possible ideas include:</b></p> <ul style="list-style-type: none"> <li>- Is there a need for the Convention to facilitate the development of a cost effective insurance initiative for adaptation?</li> <li>- Is there a need to enhance international consensus for risk sharing and financial cooperation to address climate change risk, and also encourage R&amp;D in risk assessment tools and methodologies to give more accurate risk prediction?</li> <li>- How can the national / international regulatory framework encourage the insurance sector to play a role in increased adaptation to climate change?</li> <li>- Is there a need to modify the adaptation funding in the international climate change regime to support insurance/re-insurance initiatives?</li> <li>- Others?</li> </ul>
<b><i>Break</i></b>	
14:00- 17:30 (coffee break at 15:30- 15:45)	<p style="text-align: center;"><b><u>Afternoon Session: Insurance Sector in Mitigation</u></b> Facilitator: Paul Clements Hunt, UNEP FI</p> <ul style="list-style-type: none"> <li>• <b>What are the potential / foreseen risks related to emission reduction / clean technologies, and how might insurance assist in their development and deployment? Expert briefings followed by discussion of risk mitigation, on the technological aspects of:</b> <ul style="list-style-type: none"> <li>- Clean coal technology</li> <li>- CCS</li> <li>- Renewable Energy (wind power, hydro etc.)</li> <li>- Energy Efficiency</li> <li>- Emission Offsets</li> <li>- Hybrid fuel vehicles</li> </ul> </li> <li>• <b>Are there common themes or methods that apply to insuring mitigation technologies?</b> <ul style="list-style-type: none"> <li>– This will reflect the preceding discussion of mitigation technologies</li> </ul> </li> <li>• <b>What is the role of the Climate Change Convention and the Kyoto Protocol in promoting the participation of insurance sector in this area? Possible ideas include:</b> <ul style="list-style-type: none"> <li>- Is there a need to facilitate the development of cost effective insurance initiatives for mitigation?</li> <li>- Is there a need to promote R&amp;D in risk assessment tools and methodologies for technological or social risks to give more robust risk prediction?</li> <li>- Is there a need for the Convention to facilitate national / international regulatory frameworks to encourage the insurance sector to play a role in risk management for emission reductions and clean technologies?</li> <li>- Is there a need to extend mitigation funding in the international climate change regime to support insurance/re-insurance initiatives?</li> <li>- Others?</li> </ul> </li> </ul>