

Guidance for the working group 5 - Action Area 7 key messages

What is the purpose of this meeting and the key messages?

- Prepare the letters for groups to get involved (Action Area 7)
- Identify key messages that people can keep in mind that can be included in this letter
- **Status quo: No key messages were identified so far, but a lot of ideas that could build basis for formulating key messages**

Group of insurance interested persons - follow up of paper

- **Overview of discussion in group yesterday:**
 - **Purpose:** think about what is in the paper and things that still need to be clarified
 - Paper is on boarder climate risk finance - the group focused on insurance topics
 - **Outcome:** Definition of where insurance fits into loss and damage sphere is missing. That could be a next step.
 - **Environment and limitations of insurance:** Insurance has to be looked at part of comprehensive risk management process. There are risks that insurance in the moment does not cover (like slow onset risks). We need to look for tools to address these risks
 - **Potential role of ExCom to play:**
 - Clarify definition of where is the space of climate risk insurance in addressing L&D?
 - help traditional insurers and political leaders understand these differences (ability of insurance to address sudden catastrophic impacts and slow onset)

Reaction to group discussion and:

What else should we draw from the discussion/ what are aspects that have not been discussed yesterday - in order to inform the letter

- **Helpful points** for moving forward in terms of areas for the SCF where we offered our assistance in guiding and shaping the discussion
- **Potential of insurance was recognized, however it was noted that** there are still a lot of gaps out there to provide poor and vulnerable people with insurance – insurance may contribute to a more comprehensive way to manage risk.
- **What are gaps in the paper**
 - **a. What lies beyond insurance:** What are innovative ways to address limitations of current insurance solutions? What are new instruments? (Section 6 and 7 in the expert group paper)
 - There are risk due to climate impacts that can't be reduced – insurance is not a solution here
 - See level rise is one example
 - **b. Insurance is just one tool - don't forget about other instruments within comprehensive climate risk management**
 - **7a: We need to encourage public institutions** at the way they mainstream climate resilience in their investments - get information on that - are they doing that already, what tools are they using?

- **Social protection** – look at basket of social protection and measured that are applied in developing countries. See if insurance fits in there.
- **Cost benefit of preventive measures are important.** Of investing in prevention
- **c. The paper focuses only on supply side**
- Important to mention in the letter that all the institutions do should be in accordance with national policies

Open questions regarding the functioning of financial tools such as insurance

- **a. What knowledge** do we need to go forward and enhance coherence – there is a lot of work going on?
- **b. Insurance and risk reduction**
 - **Question:** Insurance as part of one comprehensive approach and in context of risk reduction. Why isn't insurance linked to risk reduction? Is there a technical difficulty with linking premiums with undertaking risk reductions?
 - **Answer:**
 - Premiums are related to risks - essence of private insurance. Premium level is calculated on certain risk level. Risk reduction can reduce premium level. Flood is a good example. People who stay in flood prone areas should pay higher premiums as they are living in riskier spaces
 - Assumption in private sec - price signal can send incentives to reduce risks. ARC is starting to design risk reduction into approach
 - **Interesting for ExCom:** How can tools be designed so that they complement each other in this comprehensive approach

Next steps

- Call for submissions that speak more to what is missing? What are gaps? Based on the submission we already received, building on them, going into detail
- Group of Experts / Champions that supports the SCF process

No key messages yet

- **Key messages, Intro**
 - What can really help countries to reduce risks?
 - What are incentives?
 - What are potentials for collaboration?