CONCEPT PAPER (DRAFT)

Clearinghouse on Insurance and Risk Transfer

Members of Group of Champions: Australia, Bangladesh, European Union, Germany, Jamaica, Russian Federation, Timor-Leste
Coordinator: Germany

I. Introduction

The twenty-first Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC), by its decision 1/CP.21, requested and thus mandated the Executive Committee (Excom) of the Warsaw International Mechanism (WIM) on Loss and Damage "*to establish a clearinghouse for risk transfer that serves as a repository for information on insurance and risk transfer, in order to facilitate the efforts of Parties to develop and implement comprehensive risk management strategies*"[1].

At the second meeting of the Excom (2-5 Feb 2016, Bonn/Germany), this request was considered, and an expert briefing as well as plenary and working group discussions took place on this topic. A "champions group" of Excom members volunteered to elaborate, intersessionally, on the output of the working group and to come up with suggestions for a road map for the establishment of a clearinghouse for risk transfer.[2] During the third Excom meeting (26-20 May 2016, Bonn/Germany) "Working Group 4 – Clearing House on risk transfer" of the Excom discussed the road map[3] and decided on how to move forward intersessionally. The working group developed a first outline for a concept paper and an indicative timeframe for the following outputs: a final concept paper for the establishment of a clearinghouse for risk transfer, a mock-up power point ("look and feel"), an indicative implementation plan as well as an invitation letter and template for submissions by parties to assess needs.[4]

This paper presents the draft concept for the development of the clearinghouse. The annex contains an indicative implementation plan as well as an invitation letters and questionnaires for user needs assessments.

II. Objective

The objective of the clearinghouse is to serve as a repository for information on insurance and risk transfer that facilitates the efforts of Parties to develop and implement comprehensive risk management strategies. In order to have a catalytic effect in addressing loss and damage, this information needs to be demand driven and based on and linked to comprehensive risk management needs, incl. processes of risk reduction and adaptation strategies at regional and national levels.[5]

The initial two-year work plan prominently features the issues of comprehensive risk management and

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[1] UNFCCC. Conference of the Parties, Art. 49, FCCC/CP/2015/L.9/Rev.1
[2] Executive Committee of Warsaw International Mechanism on Loss and Damage: "Draft roadmap for establishing a clearing house on risk transfer", http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/roadmap_clearinghouserisktransfer_draft_21_apr.pdf, p 2
[3] First Report Back to plenary by Working Group 4 – Clearing House on risk transfer during Excom III: http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/ch_reporting_back_28apr.pdf
[4] Second Report Back to plenary by Working Group 4 – Clearing House on risk transfer during Excom III: http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/ch_reporting_back_29_apr.pdf
[5] Executive Committee of Warsaw International Mechanism on Loss and Damage, ibid., p 2

risk transfer, in particular in Action Area (AA) 2 *"Enhance the understanding of, and promote, comprehensive risk management approaches"* and AA 7 *"Encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage"*[6].

III.   Functions of the clearinghouse

Based on the objective described above, the clearinghouse should include the following three main functions[7]:

1. Enhance understanding
    -   Managing (i.e. collecting, translating and sharing) existing information and knowledge
    -   Enabling learning from good practices
    -   Stimulating research into open questions and emerging issues

2. Improve policy coherence
    -   Connecting important actors in the field of risk transfer and comprehensive risk management (as well as other relevant communities)
    -   Supporting collaboration, networking and exchange amongst different stakeholders
    -   Highlighting important topics and debates at different policy levels

3. Enhance action and support
    -   Providing guidance on how to successfully set up and implement risk transfer solutions as part of comprehensive risk management approaches, e.g. by way of generic, step wise guidelines based on good practice
    -   Disseminating tools and methodologies for e.g. risk/loss and damage assessments
    -   Providing information on available technical support
    -   Information on different types of funding for the implementation of climate risk insurance strategies
    -   Facilitating information on financial support to assist Parties find the best insurance and risk transfer schemes to meet their circumstances
    -   Facilitating information on financial support to assist Parties rehabilitate after the impacts of climate change disasters

IV.   Users / audience

The target audience and the users of the clearinghouse are the Parties and thus public sector entities, i.e. governments and their ministries/departments at different levels that are involved in the development and implementation of risk transfer and comprehensive risk management strategies.

However, the information of the clearinghouse will be accessible without restriction or any sort of member privileges and therefore also be available to e.g. regional institutions, as collaborative entities of nation states, which often play a vital role in setting up risk transfer schemes.

V.   Principles for design and maintenance

The design and maintenance of the clearinghouse will be informed by the following principles:

1. The risk transfer clearinghouse needs to be embedded in and serve the efforts of the WIM to address loss and damage using risk transfer mechanism in comprehensive risk management

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[6] See: Workplan of the ExCom of the WIM: Available at:
http://unfccc.int/adaptation/workstreams/loss_and_damage/items/8805.php [01.02.2016].
[7] Schäfer, Laura et. al.: "Form Follows Function – Designing a risk transfer clearinghouse", MCII 2016, Discussion paper for the Executive Committee of the WIM, p 13

approaches and its respective functions laid out in 2/CP.19.[8] It thus needs to capitalise on the output of the Excom's initial two-year work plan, in particular of Action Area (AA) 2 (*Enhance the understanding of, and promote, comprehensive risk management approaches)* and AA 7 (*Encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage).*[9]

2. Drawing from previous discussions during the Excom meeting and the examples of clearinghouses in the UN context, the main vehicle for the clearinghouse will be an online platform.[10]

3. The clearinghouse follows a needs based approach. Representatives of the target audience, the users will be engaged in the design of the clearinghouse and its content in order to ensure usability of the information.[11] For this purpose the target audience, the users will be invited to answer to a needs assessment.

4. Creators and managers of other international clearinghouses need to be consulted during the initial design phase in order to learn from their good practices and identify synergies.[12] Additionally, following the example of the UNFCCC web portal TT:CLEAR, the Climate Knowledge Brokers (CKB[13]) Group could be consulted during the design phase of the clearinghouse.

5. The clearinghouse will use – wherever possible and suitable – information, including on existing technical assistance, that is available from related climate information platforms and insurance initiatives, e.g. the G7 Initiative on Climate Risk Insurance "InsuResilience" and the Insurance Development Forum (IDF).

6. The clearinghouse will facilitate information on potential risk transfer and insurance facilities that are available, and on how vulnerable countries can gain access to insurance for addressing relief, rehabilitation and potential permanent losses with special attention given to the LDCs and SIDS regarding their special circumstances and capacities.

VI.   Content

The clearinghouse will provide information in the following categories:

1. **Information on how to set up climate risk insurance schemes.** The clearinghouse will provide a generic, stepwise guidance for the user on how to develop and implement insurance solutions. This guidance will vary depending on the type of the insurance solution and the level of intervention, e.g. direct insurance approaches in which the insured beneficiary (e.g. a farmer) benefits directly from transferring risk to a risk-taking entity (such as an insurer) and indirect approaches where the final intended beneficiary benefits indirectly from payments intermediated by an insured government.

2. **Overview of existing insurance arrangements.** The clearinghouse will provide a structured and detailed overview of "who is doing what, where". This information should include indirect insurance schemes such as the African Risk Capacity (ARC), Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) or the Caribbean Catastrophe Risk Insurance Facility (CCRIF) as well as direct insurance solutions (such as the R4 Rural Resilience

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[8] Schäfer, Laura et. al.: ibid., p 5
[9] Ibid., p 6
[10] Executive Committee of Warsaw International Mechanism on Loss and Damage, ibid., p 3
[11] Ibid., p 4
[12] Ibid., p 4
[13] The CKB Group is a growing alliance of currently around 150 leading global, regional and national knowledge brokers specialising in climate and development information. See here:
http://www.climateknowledgebrokers.net/online-climate-knowledge-sharing-clinics-unfccc-lessons-learned/

Initiative). Case studies into success factors will provide valuable lessons for setting up risk transfer solutions. Users can be requested to provide such information for their country/region, including a description on the area and level of engagement.

3. **Information on how climate risk insurance can address rehabilitation and permanent losses and damages in vulnerable developing countries.** The clearinghouse will provide information on risk transfer and climate risk insurance mechanisms to address rehabilitation after disasters as well as addressing potential permanent losses and damage, including possible premium payments for the poorest and the most vulnerable developing countries.

4. **Risk information.** The online platform will provide and link to existing data and information where available and indicate data and information gaps. The data will either be incorporated via open data interfaces or linked to. Examples of existing databases and platforms are:

   - WBG Climate Change Knowledge Portal: http://sdwebx.worldbank.org/climateportal/index.cfm?page=global_map
   - GCM Downscaled GCM Data Portal: http://www.ccafs-climate.org/data/
   - International Research Institute for Climate and Society Data Library: http://iridl.ldeo.columbia.edu/
   - UNDP Climate Change Country Profiles: http://www.geog.ox.ac.uk/research/climate/projects/undp-cp/
   - IPCC Data Distribution Center: http://www.ipcc-data.org/

5. **List of institutions working on the topic**. Information on relevant government organisations, insurance companies, research institutions, and other relevant stakeholders will be provided to facilitate communication between possible insurers and stakeholders for target countries. Countries will be requested to provide such information where lacking.

6. **Types of funding**. Different types of funding of the active schemes in the country and beyond will be presented (grant, technical assistance, financial assistance, loan, capitalization).

VII.   Ways to present information

The online platform will have to present a lot of information in an accessible and understandable way while maintaining usability. Graphic elements will function as visual anchors and enhance the usability. Text blocks will be reduced to a minimum and will only be shown on user request (e.g. link for "more information"). A world map with "clickable" countries provides the relevant country/regional content. A filter enables users to create individual information output for relevant topics. The user needs assessment will support usability of the website by asking questions related to user friendliness and barriers to usability.

VIII.   Technical considerations

tbd: hosting arrangement, building the clearinghouse (IT), ongoing content management (link management, updating content for relevancy, accuracy etc.)

IX.   Budget

tbd

Annex I
Indicative implementation plan for the clearinghouse

During Excom III and indicative timeframe for the work of the group of champions and the Excom was developed to advance the development of the clearinghouse until COP 22 (see below).

Indicative timeframe until COP 22 (adjusted inersessionally by group of champions)

	Phase	Output	Timeframe	

1	**Provide a basis for discussion**
	Intersessionally, a group would:
	• Develop and finalize a concept paper
	• Develop and finalize a mock-up power point:
	   o **Content**: Excom champions
	   o **Mock up look and feel:** Secretariat
	• Develop a draft implementation plan
	• Develop a draft letter of invitation and suggestions for questions for a template for needs assessment submission
	•
		• Final draft concept paper
		• Draft mock-up power point
		• Draft letter and draft template for submission
			Until ExCom 4 tbc	May - Sep

2	**Discuss, assess needs, learn lessons from other clearinghouses** • Discuss concept paper in plenary and mock-up power point • Discuss and finalize implementation plan • Discuss and finalize letter and template for submission • Define respondents for needs assessments • Learn lessons: Invite experts from other clearinghouses, data platforms • Get input from experts	• Final concept paper • Revised mock-up • Final implementation plan • Final letter and template for submission •	During ExCom 4	19–23 Sep
3	**Conduct needs assessment** • Send out letters of invitation and questionnaires to UNFCCC focal points and selected institutions		Until COP 22	Sep-Nov

The **indicative implementation plan (after COP22)** for the establishment of the clearinghouse displayed in the table below:

Action	Tasks involved Coordination: Group of Champions (incl. insurance experts) and Secretariat (incl. IT department)	Date
Consolidate needs and **business requirements** for the system development	• Consolidation of needs assessment results (by Secretariat). • Analysis of needs assessment results to inform next steps including business requirements (by insurance expert as part of Group of Champions) • Draft requirements (content management system,...) for a clearinghouse on basis of identified needs submitted to Excom (by Secretariat)	Until Excom V
Consider analysis and draft **business requirements**	• Draft requirements reviewed by Excom • Group of Champions/Working Group to incorporate feedback and define	Excom V

	next steps, such as design, content needs, hosting, publicity	
Coordination between **Secretariat and Group of Champions**	• Secretariat seeks input and direction from Group of Champions as needed	Intersessionally between Excom V and VI
Initial **clearinghouse design** and decision on **content**	• Initial design of clearinghouse including indicative functions and sample presented and agreed • Excom agrees call for provision of content	Excom VI
Operational version of clearinghouse design including content and launch of *beta site* tbd.	• Secretariat to prepare operational version of clearinghouse • Feedback by group of champions • Feedback by selected users and institutions as required (identified based on needs assessment) • Feedback incorporated by Secretariat to prepare beta site to be approved by the Group of Champions	Intersessionally between Excom VI and VII
Launch of beta site clearinghouse at COP 23 (latest)		COP 23

Annex II
Letter and questionnaire for user needs assessment with selected institutions

Dear *[Insert Name]*,

The Executive Committee of the Warsaw International Mechanism for Loss and Damage (Excom) is seeking input from potential users on the content, design, and use of the clearinghouse for risk transfer as mandated in 1/CP.21. If you or someone else from your institution would like to participate in this process, please complete the attached information sheet and return to <u>loss-damage@unfccc.int</u>.

At the nineteenth session the Conference of Parties (COP) under the United Nations Framework Convention on Climate Change established the Warsaw International Mechanism (WIM) on Loss and Damage to address adverse effects of climate change through its three main functions: enhancing knowledge and understanding of comprehensive risk management approaches; strengthening dialogue, coordination, coherence and synergies among relevant stakeholders; and enhancing action and support, including finance, technology and capacity building.

The COP by its decision 1/CP.21, requested the Executive Committee (Excom) of the WIM under the article 49 "to establish a clearinghouse for risk transfer that serves as a repository for information on insurance and risk transfer, in order to facilitate the efforts of Parties to develop and implement comprehensive risk management strategies".

Drawing from discussions with experts during Excom meetings and examples of clearinghouses in the international context, the main vehicle for the clearinghouse will be an online platform. Potential users of the clearinghouse as well as institutions involved in the development of insurance solutions are encouraged to contribute to the design of this platform to ensure applicability and usability of the information provided.

On behalf of the Excom of the WIM, we thank you for your consideration of this request. We are happy to answer any questions you may have considering this invitation and look forward to receiving your response by *[date]* to loss-damage@unfccc.int.

[Signature]

Suggestions for questions for needs assessment (institutions)

1) Respondent information	
Country	
Name	
Contact details	

Institutional role and function	
Name of institution	
Institutional mandate in relation to the coordination, development and/or implementation of insurance and risk transfer as part of comprehensive risk management strategies	

2) Drawing from your experience with insurance and risk transfer solutions, what are information needs in developing countries with regards to designing and implementing these approaches? Please check the appropriate box to indicate the amount of additional information that would be useful.

More information needed in relation to:	A lot more	Some more	Information satisfactory	Comments
how to set up insurance and risk transfer systems and schemes	☐	☐	☐	
examples of insurance and risk transfer schemes, from other countries, regions	☐	☐	☐	
risk information	☐	☐	☐	
legal and regulatory environment	☐	☐	☐	
how to reach poor and vulnerable populations with insurance solutions	☐	☐	☐	
how to effectively integrate insurance and risk transfer solutions into comprehensive risk management strategies	☐	☐	☐	
actors involved in developing and implementing insurance and risk transfer schemes	☐	☐	☐	
the incorporation of traditional knowledge in the development of insurance and risk transfer schemes	☐	☐	☐	
financing and capitalization of insurance programmes incl. ensuring financial sustainability	☐	☐	☐	
other, please specify:	☐	☐	☐	

3) Are you aware of any online portals providing information regarding insurance and risk transfer solutions? If so, what are the examples?

4)	What kind of information would you like to see on the portal that would help users in developing countries design risk management policy and action?
5)	How could the online platform benefit you/your organization in designing risk management policy and action in developing countries?
6)	What do you think are the top three functions the portal should provide?
7)	In what format should information be presented on the portal?
8)	What useful information can you contribute to the portal?

Annex III
Invitation letter and questionnaire for user needs assessment addressed to UNFCCC-focal points

Dear *[Insert Name]*,

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On behalf of the Excom of the WIM, we thank you for your consideration of this request. We are happy to answer any questions you may have considering this invitation and look forward to receiving your response by *[date]* to loss-damage@unfccc.int.

[Signature]

Suggestions for questions for user needs assessment

1) Respondent information	
Country	
Name	
Contact details	
Institutional role and function	
Name of institution	
Institutional mandate in relation to the coordination, development and/or implementation of insurance and risk transfer as part of comprehensive risk management strategies	

2) To what extent does your current work include work on insurance and risk transfer?
2.1 Please briefly describe your experience.
2.2 Please rate your level of experience (circle one): ☐ no experience   ☐ some experience   ☐ a lot of experience

3) Please list any institutions in your country and region that deal with the development and implementation of insurance and risk transfer schemes for natural hazards, including those related to weather and climate.
• _____ • _____ • _____ • _____ • _____

4) What are areas where these institutions would need more information in order to engage more effectively with insurance and risk transfer solutions that address weather and climate-related loss and damage in your country/region? Please check the appropriate box to indicate the amount of additional information that would be useful.				
More information needed in relation to:	A lot more	Some more	Information satisfactory	Comments
how to set up insurance and risk transfer systems and schemes	☐	☐	☐	
examples of insurance and risk transfer schemes, from other countries, regions	☐	☐	☐	
risk information	☐	☐	☐	
legal and regulatory environment	☐	☐	☐	
how to reach poor and vulnerable populations with insurance solutions	☐	☐	☐	
how to effectively integrate insurance and risk transfer solutions into comprehensive risk management strategies	☐	☐	☐	
actors involved in developing and implementing insurance and risk transfer schemes	☐	☐	☐	
the incorporation of traditional knowledge in the development of insurance and risk transfer schemes	☐	☐	☐	
financing and capitalization of insurance programmes incl. ensuring financial sustainability	☐	☐	☐	
other, please specify:	☐	☐	☐	

5) Are you aware and do you use any online portals that provide information regarding insurance and risk transfer solutions? What are the examples?

6) Would you be willing to provide further input into the content, design and/or use of the clearinghouse?
☐ yes ☐ no