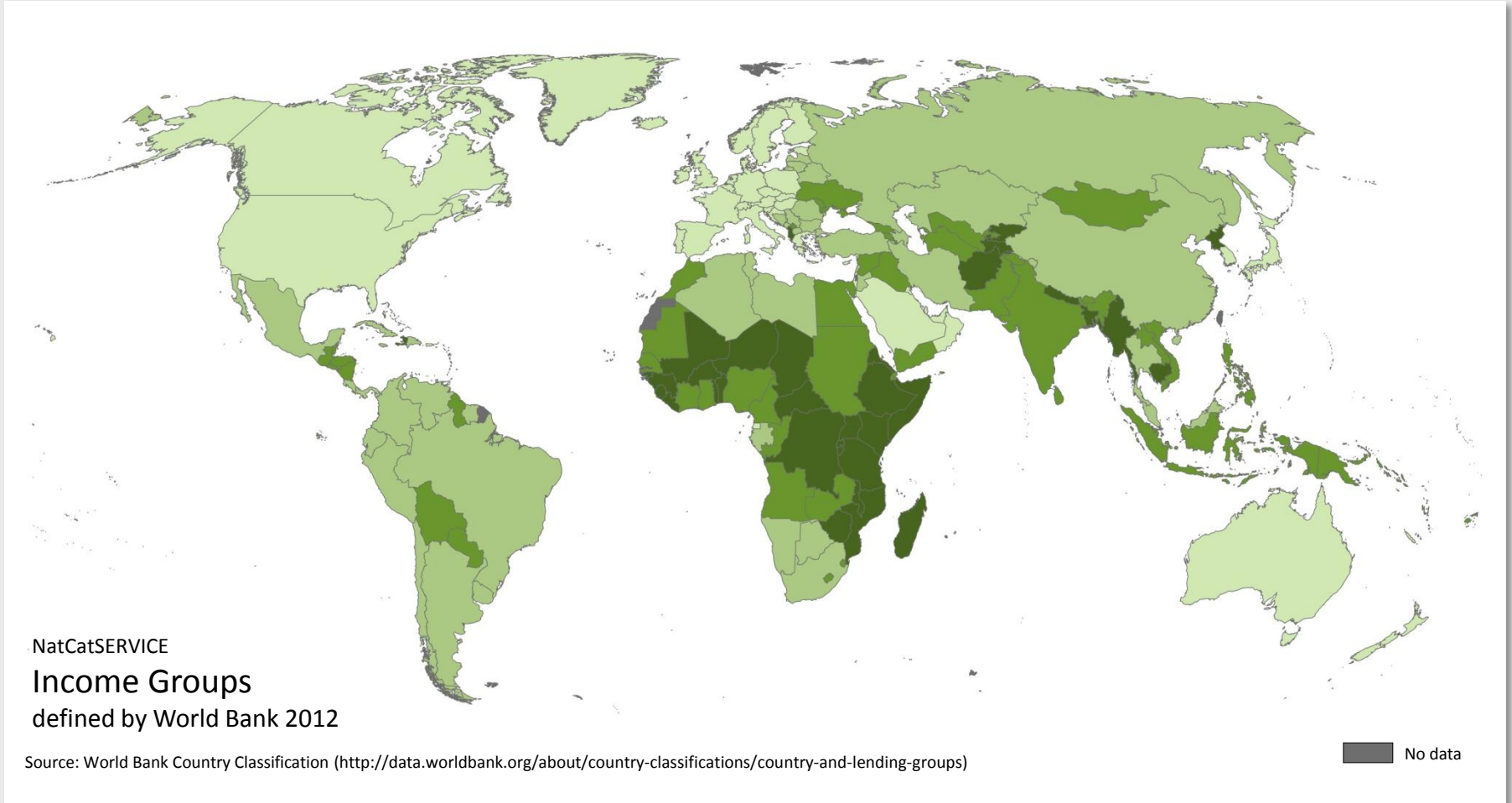


Lessons learned about risk transfer clearinghouses





Contribution by Koko Warner and Laura Schäfer (MCII) to the ExComm discussions
2-5 February, Bonn



What are some of the elements for putting together comprehensive climate risk management in vulnerable countries from the angle of risk transfer?



Income Groups 2012 (defined by World Bank, Dezember 2011):

- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
|  High income economies
(GNI \geq 12,276 US\$) |  Upper middle income economies
(GNI 3,976 – 12,275 US\$) |  Lower middle income economies
(GNI 1,006 – 3,975 US\$) |  Low income economies
(GNI \leq 1,005 US\$) |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|

Landscape & examples of relevant stakeholders

Examples of risk transfer schemes: regional risk insurance pools in Africa (ARC), SIDs (Caribbean, emerging in Pacific), national insurance funds (FONDEN, Turkey), safety net programs linked to insurance (Ethiopia, Senegal...), international reinsurance and insurance markets, emerging microinsurance markets...

Catalytic efforts and expert / practitioner communities:

- ISDR, Humanitarian world,
- additionally on risk transfer: InsuResilience, Insurance Development Forum, Development Banks, Geneva Association, UNEPFI, MCII...

Where is data available and who are the stakeholders in the risk data world?

- Perils: ISDR and disaster risk reduction, humanitarian world and dashboards, academics and yardstick-ers, insurers, national met services and regional data repositories for meteorology and hydrology, Global Framework for Climate Services,
- Socio-economic data: census, development banks, academia
- Climate impacts and modeling: academic and IPCC world of climate science
- Design of approaches to address climatic risks: communities of practice in... engineer corps, insurers, professional risk managers, ministries, civil defense...

Challenge: Data-abundance environment? How to tailor to needs of comprehensive risk management?



→ Based on currently available data, one might conclude that the key is NOT data supply ... but rather targeted data application

Likely that comprehensive climate risk management is not stalled because of lack of information → more likely that this information is not translated into national planning, into regulations, into application

→ "Demand-side" question: what do countries need, for what purpose / to address what peril for what groups of vulnerable people?).

Opportunities to add value and close gaps / catalyse action
Key questions

What type of information is needed to facilitate comprehensive climate risk management?

What type of information facilitates comprehensive climate risk management? Example of a “term sheet” from insurance in the Caribbean



Purpose of the action / description:	Livelihood Protection Policy: “Shock Absorber” for individuals in order to help them cope with losses related to wind and excess rain.
Insuring entity:	Locally licensed insurance company
Distribution channel:	Cooperatives, credit unions, associations etc. might be suitable, financial institutions
Who will be Insured?	Targeting small share agriculture, small business in tourism
Geographical area:	Country, county, grid (must specify geographic scale)
Perils covered:	Losses caused by wind, excess rain
Annual premium:	x% of the Annual Limit to be paid by WHOM? What is the premium level (this affects how much risk can be covered by insurance)
Distribution costs:	What are the distribution and administration costs for the risk transfer and comprehensive risk management approach?
Limit:	What is the maximum risk transfer payout per time period? This information is needed to structure the trigger levels and payouts
How will the approach reduce disaster risk?	SMS warning including info regarding risk reduction methods
Intended impact:	Provide low income people with payout ten days after a peril occurs which allows them to quickly start rebuilding their farm/small enterprise and/or livelihood after an extreme weather event

Lessons learned about clearinghouses in the UN system and in the private sector, possible functions of a WIM risk transfer clearinghouse

MCII desk review: Core functions of existing clearinghouses reviewed: transit point for services or information, its more about the transit point for meeting constantly evolving and changing needs

3 lessons from our desk review

- 1. UN clearinghouses primarily focus on transmitting data and information**
- 2. Clearinghouses in the private sector (finance) focus on services (like clearing and settlement)...as well as promoting stability and financial integrity → framing and thought leadership as an objective...senior executives meet to discuss challenges of fast-changing markets**
- 3. Advisory and awareness raising**

WIM Risk Transfer Clearinghouse

Enhance understanding

Function: Knowledge management and stimulating actionable research

Possible design: Dynamic information portal

Policy coherence

Function: Connecting policy makers, practitioners, researchers & private sector and other relevant actors to advance policy coherence

Possible design: Network and collaboration

Enhance action

Function: Systematic advisory for developing countries to help structure early-stage questions and thinking about how to design risk transfer

Possible design: Platform for advisory and technical assistance

Thank you!



Dr. Koko Warner

Executive Director, Munich Climate Insurance Initiative

www.climate-insurance.org

Hosted at United Nations University

Institute for Environment and Human Security (UNU-EHS)

UN Campus

Platz der Vereinten Nationen 1

53113 Bonn, Germany

T: +49 228 815 0226

E: warner@ehs.unu.edu

www.ehs.unu.edu