

**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

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| 9:30-13:00 (coffee-break at 11:00-11:15) | <p>The one-day event will be divided into two parts: 1) Insurance Sector and Adaptation and 2) Insurance Sector and Mitigation. 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;"><u>Morning Session: Insurance Sector in Adaptation</u> Facilitator: Andrew Dlugolecki</p> <ul style="list-style-type: none"> • What are the barriers and risks faced by insurers both technically and financially in the context of increasing climate change risks? <ul style="list-style-type: none"> - <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 - <i>Market-based risk:</i> Counterparty risk / reinsurance issues Rising Claim volumes - <i>Regulatory issues:</i> Price / coverage controls Product limitations Limits to foreign investment - <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 • How can the insurance sector play a more effective role in addressing the economic costs of extreme events? <ul style="list-style-type: none"> - To what extent can insurance be adapted to address “uninsurable risks” emerging in the new climate change scenario? - Should insurance associations be set up to pool risks among countries / parties? - Is there a need for international subsidization or collective loss sharing? - How could the insurance sector support adaptation to climate change in sectors like forestry, agriculture and wetlands? • What risk transfer mechanisms, singly or in combination, suit different climate change risks? <ul style="list-style-type: none"> - 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. - Different risks (public sector, business sector, urban consumers, primary sector subsistence) • How could national regulatory frameworks / international regime provide adequate incentives for the insurance sector to address climate change risk in developing countries? <ul style="list-style-type: none"> - 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? - How could institutional incentives be provided to transform the traditional disaster relief approach to risk transfer approach through insurance in the long term? |
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| | <ul style="list-style-type: none"> - How to avoid the high premiums for end-users in developing countries, and make insurance coverage accessible to the poor in developing countries? - What role should national (safety nets, national regulation, etc)/ regional (technical support, regional cooperation, etc)/ international actors (international regime) play in this case? - Challenges: Limited financial and human resources <ul style="list-style-type: none"> Exposes regional insurance industry once linked to global reinsurance market Government assets are not insured / underinsured <p>• 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:</p> <ul style="list-style-type: none"> - Is there a need for the Convention to facilitate the development of a cost effective insurance initiative for adaptation? - Is there a need to enhance international consensus for risk sharing and financial cooperation to address climate change risk, and also encourage R&D in risk assessment tools and methodologies to give more accurate risk prediction? - How can the national / international regulatory framework encourage the insurance sector to play a role in increased adaptation to climate change? - Is there a need to modify the adaptation funding in the international climate change regime to support insurance/re-insurance initiatives? - Others? |
| <i>Break</i> | |
| 14:00- 17:30 (coffee break at 15:30- 15:45) | <p style="text-align: center;"><u>Afternoon Session: Insurance Sector in Mitigation</u> Facilitator: Paul Clements Hunt, UNEP FI</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - Clean coal technology - CCS - Renewable Energy (wind power, hydro etc.) - Energy Efficiency - Emission Offsets - Hybrid fuel vehicles • Are there common themes or methods that apply to insuring mitigation technologies? <ul style="list-style-type: none"> - This will reflect the preceding discussion of mitigation technologies • 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: <ul style="list-style-type: none"> - Is there a need to facilitate the development of cost effective insurance initiatives for mitigation? - Is there a need to promote R&D in risk assessment tools and methodologies for technological or social risks to give more robust risk prediction? - 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? - Is there a need to extend mitigation funding in the international climate change regime to support insurance/re-insurance initiatives? - Others? |