

## **Submission to the Standing Committee on Finance for inputs related to the fourth forum on “financial instruments that address the risks of loss and damage associated with the adverse effects of climate”**

### **1. Scope and purpose of the Forum**

In the context of the Paris Agreement and the associated decision regarding Loss and damage, Article 49 requests:

*“the Executive Committee of the Warsaw International Mechanism 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;”*

For the Standing Committee on Finance, the 4th Forum which is focused on “financial instruments that address the risks of loss and damage associated with the adverse effects of climate” provides an opportunity to begin to elucidate on the role of insurance and risk transfer as part of a comprehensive risk management strategy. It should also provide a platform to begin mapping what would constitute success as it relates to insurance mechanisms in the broader picture of comprehensive risk management strategies between 2016 and 2020 when the Paris Agreement comes into legal force.

This of course takes place against a backdrop which has seen the emergence of a number of innovative regional insurance risk pools that have been operational for a number of years and are directly targeted at governments but aimed at reaching the most vulnerable. On the African continent the ARC represents the primary vehicle for implementing action on loss and damage as it relates to insurance mechanisms on any significant scale. A component of the forum should therefore be focused on understanding these regional initiatives that are already operational and should seek to explore the following:

- How do they work?
  - Technically
    - Risk assessment
    - Targeting mechanisms to reach vulnerable people
    - Premium Pricing
  - Institutional structure/governance
    - Level of Importance when establishing regional sovereign level initiatives
    - Accountability
- What are their limitations?
- What lessons have been learned from operational experiences?

- Positives and negatives
  - Technical/political/institutional
  - Premium financing/Affordability (Constraints)
  - Awareness and understanding
- What opportunities exist?
- How do they feed into existing climate dialogue
  - Opportunities for partnership
- How can they be scaled up?
  - What are the limitations to scaling up?
  - How can we build on these institutions?
  - How can they contribute to the G7 InsuResilience goals?
  - How does this feed into SCF work?

To support some of these considerations, attached are the following documents specifically relating to ARC:

- ARC Overview Brief
- The Cost of Drought in Africa
- ARC and ARC Ltd
- ARC payouts
- ARC Extreme Climate Facility
- ARC Agenda for Action

## **2. Potential institutions and events to partner with in the organization of the Forum**

ARC would be interested in partnering with the SCF in the hosting of the 4th Forum given the experience established in putting this initiative into operation on the African continent. It is proposed that invitations be extended to other regional risk pooling initiatives and technical agencies and development finance institutions.

Given the theme of the 4th forum, it would be useful to consider hosting the meeting on the margins of an event which will facilitate enhanced representation from officials from Ministries of Finance.