Insurance Instruments for Adapting to Climate Risks: Moving towards Copenhagen

Presented by Koko Warner on behalf of MCII
at the 4th AWG-LCA workshop in Poznan
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Climate Change: Management of Increasing Natural Hazard Risks

Munich Climate Insurance Initiative

Drought in Yemen, Munich Re

- **Risks for losses caused by climate-related natural hazards are rising**
  - 95 per cent of deaths from natural disasters in the last 25 years occurred in developing countries
  - Currently US$100 billion economic losses / annum
  - Limited allocation of financial resources so far to support adaptation
- **Developing countries**
  - Have lowest coping capacity, higher vulnerability (majority of fatalities)
- **Management of climate risks**
  - Need to reduce risk and transfer risk in ways conducive to climate change adaptation
- **Two issues:**
  - Link insurance with incentives to prevent losses
  - Deliver climate insurance solutions to benefit those most vulnerable to the adverse impacts of climate change

Experience with Insurance Tools to Manage Climate Risks in Developing Countries

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Cyclone Nargis, Myanmar , May 4, 2008

Hurricane Gustav , Haiti , August 27, 2008

Meso-scale solutions like microinsurance

- Index-based drought insurance in Malawi, or government supported herder insurance in Mongolia

Country-level insurance schemes

- Successful or promising sovereign schemes such as the parametric weather derivative in Ethiopia to help government protect rural poor
- Mexico´s FONDEN
- Risk layers and partnership approach

Regional (multi-country) insurance pools

- Caribbean Catastrophe Reinsurance Facility (CCRIF)

Disaster insurance – with international support – has great potential for providing security to the poor. ***The market acting alone cannot provide this security.***

Key Questions about Insurance and Adaptation

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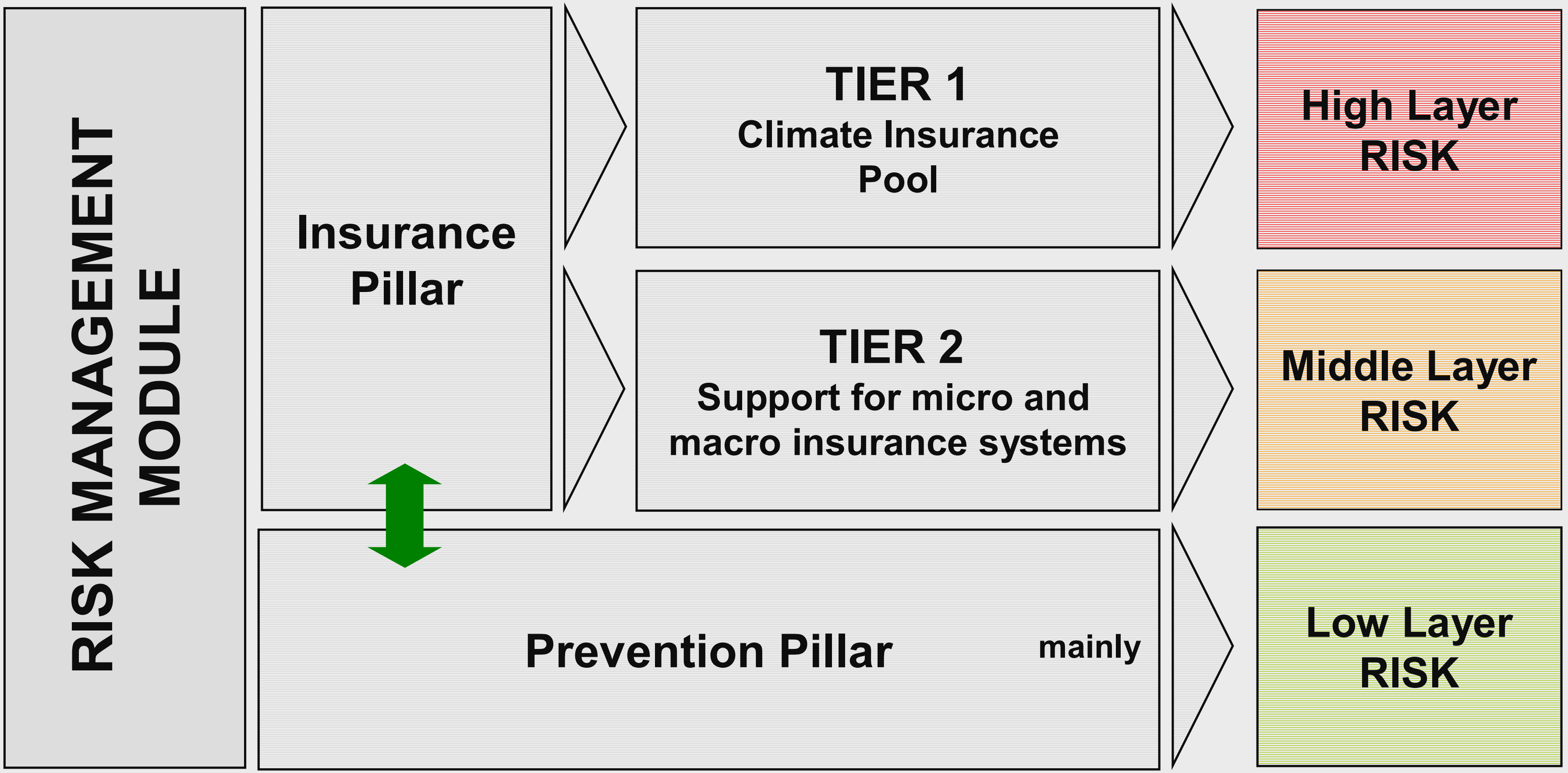
1. When is it advisable to insure against climate-related risks?

2. Can climate insurance be designed in a way that contributes to adaptation instead of mal-adaptation?

3. What role might insurance instruments play in a climate-adaptation regime?

The MCII Proposal



- Includes private market participation.

What Needs to be Done for the CAO (Copenhagen Agreed Outcome)

1. **Establish a risk management framework and request the COP to elaborate its operationalization in the context of two pillars:**
   - **Prevention Pillar**
   - **Insurance Pillar**:
     - Tier 1: ***Climate Insurance Pool***
     - Tier 2: ***Climate Insurance Assistance Facility***

2. **Include, under the financial provisions of the CAO, provisions for a fund or funding window for the two pillars - prevention and insurance**
   - Prevention pillar and insurance pillar work hand-in-hand to facilitate vulnerability reduction and adaptation

3. **Request COP to identify suitable operating entity and detail the operation of the two pillars between 2009 and 2012**

Thank you!

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MCII will report back to the UNFCCC in April 2009.

Climate Risk Insurance Side Event

on Monday 8.12 at 13:00 (Fox), or:

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