The Munich Climate Insurance Initiative

Disaster Risk Finance

Climate Risk Insurance

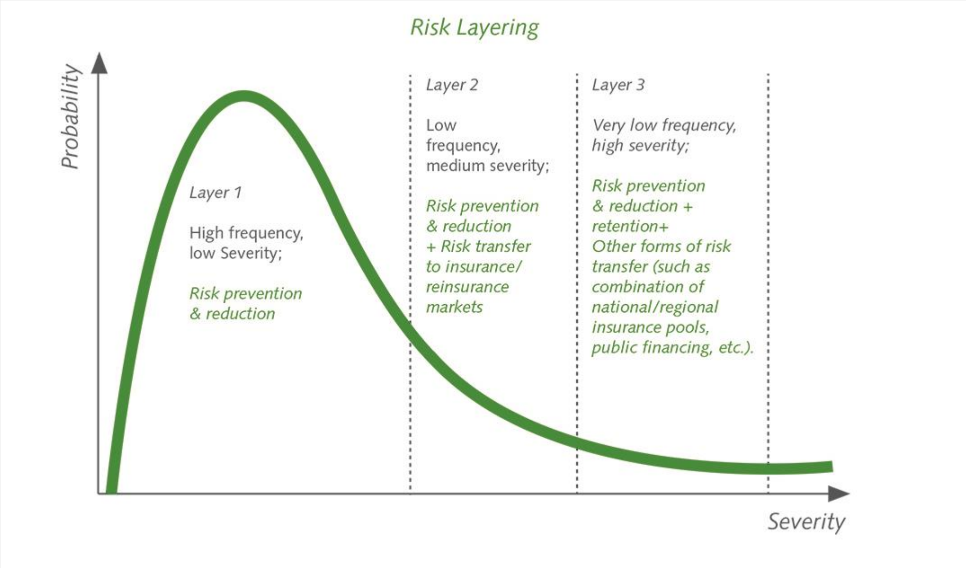
MCII

What is Climate Risk Insurance (CRI)?

- A tool to spread risk over people and time
- Most suitable for high-impact, low frequency events
- Can help support farmers after natural hazards

Types of CRI for famers

- **Indemnity-based insurance:** linked to the actual losses incurred by the insured
- **Index-based insurance:** payout if a physical loss parameter (e.g. wind speed) is reached
- **Yield index insurance:** pays out if the actual yield in a given region falls below an agreed percentage of the yield guarantee



Source: MCII and GIZ, own design, elaborated from World Bank (2011)

Benefits to farmers

MCII

After the event:

- Insurance increases financial liquidity
- Insurance helps to keep business interruptions as small as possible
- Insurance payouts can boost the economy
- Insurance can help farmers buy the necessary inputs to recover after an event.

Before the event:

- Insurers can help to identify risks
- Insurance increases risk awareness
- Insurance facilitates financial planning
- Insurance can promote risk reduction behavior

The CRAIC Project