

## **New risk management solutions: Global climate risk insurance facility can help manage weather-related loss and damage**

Doha, 5 December 2012. The frequency and magnitude of weather-related extreme events are increasing, according to the IPCC Special Report on Extreme Events. The burden of loss and damage is not evenly distributed across the world because of differing exposures, vulnerabilities and coping capabilities. Data by insurers from the 1980s onwards show that weather-related loss events have increased most in low-income countries, by a factor of 6. Insurance-related approaches can help manage losses and damages caused by unforeseeable weather events (storms, droughts, floods, etc.) by spreading the risk among people and across time and also incentivize prevention measures.

“Using parametric and index-based insurance solutions, can tackle a wide range of climate-related risks. Insurance is basically a promise for payout before the occurrence of a loss event. In case of a loss, the tool will make a reliable and quick payout and thereby reduce the likelihood of secondary damage”, explained **Prof. Dr. Peter Hoeppe**, MCII Chairman and Head of Geo-Risks Research at Munich Re. “Recent studies have highlighted that insurance approaches applied at the national level can also have positive effects on the recovery of a national economy after major weather extreme events”, he added.

**Christoph Bals**, MCII Vice-Chairman and Policy Director of Germanwatch, stressed: “According to the global carbon budget in 2010, growth rates of global emissions are still increasing and the 2 °C limit is at high risk. For a 4-5 °C world, a number of risks at regional or continental scale might become unmanageable. Well-designed climate insurance instruments should incentivize risk reduction. They can send a signal for disaster preparedness and loss prevention and at the same time for greenhouse gas reduction”, he stated at the launch of the paper in Doha.

**Thomas Loster**, MCII board member and Chairman of the Munich Re Foundation, said: “Insurance is more than just money. It is not only a mere payout mechanism to compensate financial losses. If designed in a meaningful fashion and integrated in the insurance policy design, risk transfer mechanisms can set powerful incentives for prevention. As a side effect, insurance cares for the improvement of data availability, which is urgently needed. In conclusion, insurance mechanisms mean quick money payouts, enhanced loss prevention and better data”, he added.

**Dr. Koko Warner**, MCII Executive Director hosted at the UN University Institute for Environment and Human Security (UNU-EHS), Bonn concluded, “to support stakeholders in their decision making, we have to make sure, that the options explored are technically sound and backed by science”, she concluded.

## Background

The UNFCCC requested submissions (autumn 2012) to further understand the consequences of the effects of climate change: on society today and on generations to come. MCII has produced the Policy Brief at hand to inform the discussion and to support climate negotiators in their decision-making process, in outlining the role of insurance in the context of adaptation and loss and damage highlighting a set of recommendations to the Convention as a facilitator of short and long-term strategies to address loss and damage.

Loss and damage can be quantified throughout the last five years, as follows: between 2007 and 2011, the average annual weather-related disaster losses in the groups of “low” and “lower middle” economies have reached US\$ 1.3 billion and US\$ 6.8 billion, respectively. Data from 1980 onwards reveal that more than 80 per cent of the fatalities were in developing countries.

## About MCII

The **Munich Climate Insurance Initiative (MCII)** was initiated by Munich Re in April 2005 as a non profit organization in response to the growing realization that insurance solutions can play a role in adaptation to climate change, as suggested in the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. It is hosted by the [United Nations University Institute for Environment and Human Security \(UNU-EHS\)](#) and is formed by insurers, climate change and adaptation experts, NGOs, and policy researchers’ intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering place for insurance-related expertise applied to climate change issues. [www.climate-insurance.org](http://www.climate-insurance.org)

## Further Information

- Fact sheet [www.climate-insurance.org/upload/pdf/20121205\\_MCII\\_fact\\_sheet\\_final\\_.pdf](http://www.climate-insurance.org/upload/pdf/20121205_MCII_fact_sheet_final_.pdf)
- Policy Brief <http://www.ehs.unu.edu/file/get/10573.pdf>
- For hard copies please visit us at the UN University or MCII booths in Doha!

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