UNITED NATIONS UNIVERSITY
UNU-EHS
Institute for Environment and Human Security

MCII

COP 12 Side Event

Climate Insurance

Monday, 13 November, 11:15-12:45
African Tulip Tree

Organizers

United Nations University Institute of Environment and Human Security (UNU-EHS) in cooperation with:

- The Munich Climate Insurance Initiative (MCII) and
- Munich Reinsurance Company,
- MunichRe Foundation,
- World Bank,
- Germanwatch,
- Tyndall Centre,
- IIASA,
- PIK,
- The Energy and Resources Institute (TERI),
- UNEP FI
- World Business Council for Sustainable Development

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Agenda

Introduction and moderation	Thomas Loster, Chairman of the Munich Re Foundation	
Presentations	Peter Hoeppe, Munich Re Georisks	Scientific and economic rationale for insurance-related tools concerning damages in association with climate change
	Ian Noble, World Bank Climate Change Team & BioCarbon Fund	Climate insurance as an adaptation tool for developing countries
	Christoph Bals, Germanwatch	Design considerations to set up insurance schemes for climate-related risks in developing countries
	John Corbett, Mud Springs Geographers	Making climate-related insurance work in Africa: targeting and monitoring micro-insurance programs
Expert discussants	Distinguished Delegate Ms. Emily Ojoo-Massawa Kenyan National Focal Point to the Climate Change Convention and National Coordinator, Climate Change Enabling Activities	
	Armin Sandhoevel Dresdner Bank	
	Adam Kirkman Program Manager, Energy and Climate, World Business Council for Sustainable Development	
Audience discussion	Moderated by Thomas Loster	**Discuss specific challenges** and **concrete next steps** to use insurance-related mechanisms for climate risks, in as concrete and specific terms as possible.

Purpose: This session offers cohesive information on opportunities, challenges, and considerations for climate-related insurance mechanisms, within paragraph 4.8 of Framework Convention and Article 3.14 of Kyoto Protocol. The session examines lessons and concrete next steps for climate insurance. Presentations and discussion papers will provide a point of departure for concrete discussions on:

1 **Experiences** using insurance-related mechanisms to manage climate change impacts

2 **Challenges and opportunities** for using insurance-related mechanisms, barriers that need to be addressed if insurance options are to become more viable
3 **Concrete next steps** to further explore and implement climate-related insurance mechanisms

Overview of subjects addressed. The session will first explore the scientific and economic rationale for insurance-related tools to manage climate risks. Next the session will consider how Climate insurance as an adaptation alternative for developing countries, followed by a presentation about the design of insurance schemes for climate-related risks in developing countries. d by a presentation considering the role of the private sector in climate insurance schemes. The focus on climate insurance in Africa sharpens with a presentation on climate risk insurance and business in Africa: targeting and monitoring micro-insurance programs in Africa. The side event concludes by identifying challenges, opportunities, and concrete next steps for climate insurance.

Who should attend this side event:

- **Public sector**: Policy makers from the national and local levels, representatives from finance ministries, representatives of community groups involved in climate change and adaptation
- **International community**: International finance institutions (IFIs), United Nations, NGOs, research institutions
- **Private sector**: Insurance and reinsurance, financial intermediaries such as reinsurance brokers and investment banks, risk modelling companies, and other companies with risk transfer expertise.

Information about the Munich Climate Insurance Initiative (MCII)

www.climate-insurance.org

Mission statement

The Munich Climate Insurance Initiative (MCII) was launched by Munich Re in April 2005 in response to the growing realisation that insurance-related solutions can support the adaptation to climate change advocated in the Framework Convention and Kyoto Protocol. This initiative brings together insurers, experts on climate change and adaptation, NGOs and policy researchers intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering point for insurance-related expertise on climate-change impact issues. MCII strives to fulfil four objectives:

1. **To facilitate insurance-related solutions to help deal with the impact of climate change** using the combined resources and expertise of the public and private sectors;
2. **To conduct and support pilot projects for the application of insurance-related solutions** in partnerships and through existing organisations and programmes. To identify success stories and disseminate information on the factors necessary to design and implement effective climate insurance-related mechanisms. These activities will focus on developing countries but will at the same time involve the evaluation of insurance solutions that have been used in developed countries;
3. **To promote insurance-related approaches in cooperation with other organisations and initiatives** and within existing frameworks such as the United Nations, international financial institutions, international donors and the private sector;
4. **To identify and promote loss-reduction measures** for tackling climate-related events.

MCII was founded by representatives of Germanwatch, IIASA, Munich Re, the Munich Re Foundation, the Potsdam Institute for Climate Impact Research (PIK), the Swiss Federal Institute of Technology (SLF), TERI, the Tyndall Centre, the United Nations University Institute for Environment and Human Security (UNU-EHS), the World Bank, and independent experts. The group is open to new members, e.g. representatives of other insurance or reinsurance companies, climate change and adaptation experts, NGOs and policy researchers seeking solutions to the risks posed by climate change.

Rationale

Climate change and rising weather-related disasters. In recent years, there have been more and more indications that climatic change is influencing the frequency and intensity of natural catastrophes. According to the World Meteorological Organization (WMO), the last five years (2001 to 2005) were among the six warmest recorded worldwide since 1861. A study performed by MIT and published by K. Emanuel shows that, since the 1970s, major tropical storms both in the Atlantic and Pacific regions have increased in duration and intensity by about 50 per cent.[1] Due to anthropogenic global warming, sea surface temperatures have already increased in all major ocean basins by 0.5°C [2].

The year 2005 set a record for hurricanes in the North Atlantic: never before since records have been kept (1850) have so many named tropical storms (27 compared with the previous record of 21) and hurricanes (15 as against the previous 12) developed in one season. The strongest, Wilma, fourth strongest, Rita, and sixth strongest, Katrina, were recorded in just one season.If global scientific climate models are accurate, the present problems will be magnified in the near future. These models suggest that we should expect

- an increase in the frequency and severity of heat waves, droughts, bush fires, tropical and extra-tropical cyclones, tornados, hailstorms, floods and storm surges in many parts of the world;
- new exposures (such as hurricanes in the South or Northeast Atlantic);
- more extensive damage and economic, social and environmental consequences as a result of weather-related disasters.

Changes in many atmospheric processes will profoundly impact the lives, health, and property of millions of people. Of special concern is the fact that the impact of climate change will be most acutely felt among the world's poorest people. To date, these vulnerable groups have also had the least access to affordable insurance.

The decisive question: What strategies will help us adapt to climate change?

The key issue today is not when we will have ultimate proof of anthropogenic climate change – a small element of uncertainty will remain for some time – but what strategies we should follow to mitigate and adapt to climate change. Insurance-related mechanisms can be an effective part of adaptation strategies. They can counteract the negative effects of global warming and reduce the financial risks of the increasing number of natural catastrophes.

As the frequency and scope of major natural catastrophe losses, especially tropical storms, continue to increase, there is a growing need to explore other avenues for managing and transferring the risks associated with climate change. Market insurance and risk transfer solutions – climate insurance – can play their part in enabling disaster-prone countries to successfully manage the new climate risks looming on the horizon.

Contact

For more information about the MCII, or the special COP 12 side event, please contact Dr. Koko Warner at warner@ehs.unu.edu or visit our website at www.climate-insurance.org.

[1] Emanuel, K., Increasing destructiveness of tropical cyclones over the past 30 years. *Nature* 436, 686-688, 2005.
[2] Barnett et al., *Science 2005*; Santer et al., *PNAS*, Sept. 2006.