

Press Release

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Experts propose climate insurance for the poor

FOR RELEASE ON 10 December, 2007. Bali, Indonesia. At the climate negotiations this week in Bali over 20,000 negotiators, scientists, and practitioners from every country in the world to the quest for solutions to global warming sharpens. Among them, a growing number of business leaders see climate risk insurance as a tool to help people adapt to some of the unavoidable weather-related risks that accompany climate change. Peter Hoeppe, Head of the GeoRisks Research Department of Munich Re Group, stated “Developing countries are most vulnerable to climate extremes, even though they contribute little to greenhouse gases. These are precisely the areas which have the fewest tools to manage and transfer the risks they face. And developing countries often lack the financial resources to adapt to climate change.” A side event at the United Nations Climate Change Conference held in Bali, Indonesia highlighted climate risk insurance as a viable option for dampening the negative effects of global warming. Climate risk insurance solutions can reduce the financial risks of an increasing number of natural catastrophes. What is needed, experts agreed, is an insurance-related system to help poorer areas manage weather-related risks.

The plan unveiled at COP 13 stresses both fairness and market mechanisms. Thomas Loster, chairman of the Munich Re Foundation said: “With global warming showing its strong effects in Asia and elsewhere the discussion on adaptation and insurance is intensifying. Also, insurance for the poor--be it individual microinsurance or index-based agricultural insurance solutions--is a coping mechanism that helps prevent affected people from falling deeper into poverty.” Experts propose a combination of sound underwriting and international solidarity to help those most negatively affected by a changing climate. According to Hoeppe and members of the Munich Climate Insurance Initiative (MCII), a joint initiative of Munich Re, international financial institutions and researchers, innovative insurance tools could cover unpredictable risks like hurricanes and floods. For foreseeable threats, such as sea level rise, other compensation measures must be set in place.

A key part of compensation would be a willingness of industrialized countries to support access, data availability, pooling, reinsurance or maybe even a part of the premium for climate risk insurance. This could be achieved by contributing funds into a pool according to current or accumulated CO₂ emissions. The proposed system could not cover the whole amount of losses due to weather-related disasters, because weather catastrophes are not solely attributable to climate change. But the proposal offers is a critical start, and is similar to the negotiating strategy of many key countries, including China. Insurance tools can help ameliorate climate risk, and a compensation scheme can allow industrialized countries to help developed countries manage risk transfer in a fair but also economically feasible way.

The road towards such a compensation scheme will not be easy, notes Christoph Bals, head of Germanwatch and notable climate negotiations expert. “We need pragmatic solutions, how industrialised countries can support different insurance instruments - not only as adaptation but also as risk sharing solution.” Christoph Bals adds, “There is already now a pressing need to support those most affected by climate change. And the need will increase further. Co-financed insurance solutions can be one pillar to support dramatically increased adaptation activities. ”

Peter Hoeppe concluded in a statement to climate scientists and negotiators, “The decisive question today is no longer what proof we have for anthropogenic climate change but rather, what strategies we should follow to mitigate and to adapt. Insurance-related mechanisms can be an effective part of adaptation strategies”

About the Munich Climate Insurance Initiative (MCII):

MCII was founded by representatives of Germanwatch, IIASA, Munich Re, the Munich Re Foundation, the Potsdam Institute for Climate Impact Research (PIK), European Climate Forum, 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.

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Climate insurance side event at COP 13: An overview

This working session on climate risk insurance identifies necessary actions to move insurance-related mechanisms solidly forward in the post-2012 climate negotiations. The session offers cohesive information on opportunities, challenges, and considerations for climate-related insurance tools, within paragraph 4.8 of Framework Convention and Article 3.14 of Kyoto Protocol. This session explores ways to implement insurance-related strategies for climate adaptation, targeting specific projects and stakeholders in the process.

The session examines multi-year index-based weather coverage in Africa and in Asia, and the roles of different actors in implementing the schemes. Presentations and discussion papers will provide a point of departure for concrete discussions on:

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

Side Event Schedule

Introduction & moderation	Koko Warner MCII Coordinator, UNU-EHS	
	Peter Hoeppe, Munich Re	Scientific and economic rationale for climate insurance
Expert Presentations	Christoph Bals, GermanWatch	Insuring the uninsurable: design options for a climate change funding mechanism
	Pablo Suarez, Climate Centre	Beyond risk transfer: micro-insurance to enable adaptation among the most vulnerable
	Reinhard Mechler, IIASA	
	Roberto Acosta, UNFCCC	Nairobi Work Programme and Insurance: Putting risk transfer on the Post-2012 Agenda
Audience discussion	Moderated by Koko Warner	Discuss specific challenges and concrete next steps for insurance-related mechanisms for climate risks.

Information about the Munich Climate Insurance Initiative (MCII)

www.climate-insurance.org