Risk Reduction, Insurance, and Climate Change Adaptation

U.S. Agency for International Development

October 7, 2010

Tianjin, China

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Role for Insurance in a Comprehensive Adaptation and Risk Management Framework

- Risk reduction activities and risk transfer (market-based insurance) can be complementary, and should be designed in tandem.
- Micro-insurance and macro-insurance are both important.
- There is a need to develop and test new insurance products that consider climate projections, that are accessible to vulnerable populations, that catalyze risk reduction efforts, and that are sustainable and commercially viable.

Roles for both Public and Private Actors

- Sustainability and accurate price signals necessitate private sector involvement.
- Public sector support is appropriate for regulatory reforms and industry start-up costs (data, capacity building).
- The insured must pay premiums.

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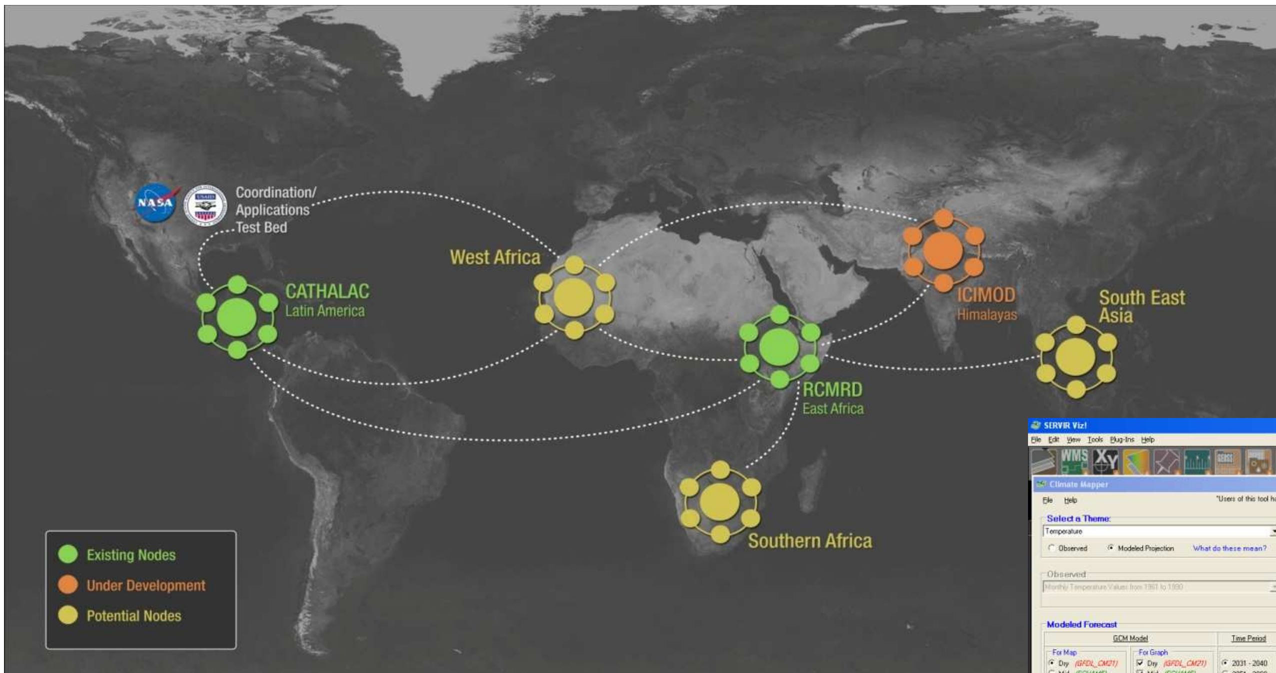
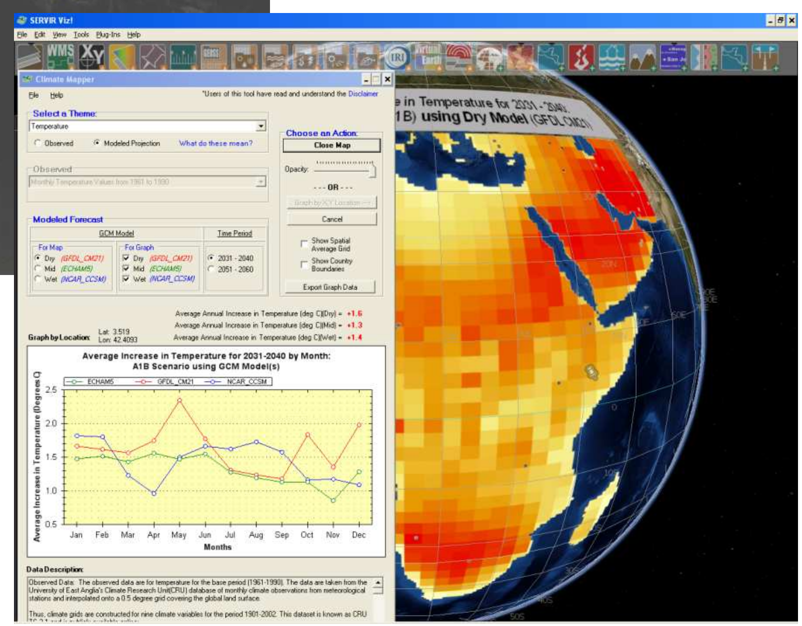
Access to Data: SERVIR and Climate Mapper





(USAID & NASA)

Micro-Insurance Pilot in Peru

USAID supported a pilot project to test an area-based yield insurance scheme for small and medium sized producers in selected valleys near the Peruvian coast.

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Index Insurance Innovation Initiative (*I4*)

- USAID intends to support 4 to 5 index insurance pilot projects in Africa, Asia and Latin America through *I4*.
- Proposals were evaluated by an external scientific review panel and include rigorous impact evaluation.
- Pilots investigate questions relevant to climate change adaptation, such as:
  - Can insurance increase involvement in risk reduction activities or farmer uptake of adaptive technology?
  - Can insurance attract lenders into new/rural markets?
  - How can climate change projections best be factored in to risk analysis and pricing?

Thank you

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