

Climate Risk Insurance

**Wednesday, 11 June 2008
1p.m. to 3 p.m.**

**Venue: Ministry of Transport, TRAM
Bonn, Germany**

**Munich Climate Insurance
Initiative (MCII)**

hosted by the United Nations University Institute for
Environment and Human Security (UNU-EHS)



Overview

MCII's session introduces innovative climate insurance mechanisms for developing countries as part of climate change adaptation. The side event addresses compensatory and micro insurance based schemes as suggestions for COP14 negotiators to bring in insurance solutions into the post-2012 framework as outlined in the Bali roadmap.

The session offers cohesive information on opportunities, challenges, and considerations for climate-related insurance tools as part of adaptation to global warming.

Presentations and discussion papers will provide a point of departure for concrete discussions on:

1. Innovative climate insurance mechanisms, including compensation – based schemes for developing countries to manage climate change impacts
2. Challenges and opportunities for using insurance-related mechanisms, barriers that need to be overcome if insurance options are to become more viable
3. 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 | Suggestions for compensation-based climate risk insurance |
| Expert Presentations | Joanne Bayer, IIASA | From micro-insurance to regional pooling schemes: Considerations for the Bali Roadmap |
| | Christoph Bals, GermanWatch | Insurance Mechanisms in the Post-Bali Process |
| | Ian Burton, MetService Canada | 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

Munich Climate Insurance Initiative

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), all of the 10 warmest years recorded since 1861 have been within the last 11 years (1997 to 2007). The current IPCC report documents that it is likely already that global warming has contributed to the increases of weather related disasters. Due to anthropogenic global warming, sea surface temperatures have already increased in all major ocean basins by 0.5°C.

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 weather related natural catastrophe losses 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.

MCII 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 researchers to find 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** especially in developing countries 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.

Contact

For more information about the MCII, or the SB 28 side event, contact warner@ehs.unu.edu or visit our website at www.climate-insurance.org.

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