SUSTAINABLE SOLUTIONS FOR CLIMATE RISKS

Insurance and Takaful Solutions to Build Resilient and Sustainable Communities and Economies

Sara Jane Ahmed
October 2015: V20 acknowledged the need for a highly accessible, dependable and cost-efficient insurance that incentivizes up-scaled mitigation and adaptation measures.

April 2016: V20 recognized that extending insurance coverage represent tremendous opportunities for increasing economic resilience.

November 2016: V20 Study from the same year indicated that just 14% of the one-billion population of CVF members had access to existing catastrophe risk mechanisms, or less than 10% of the GDP of member economies.
We have an urgent need for sustainable insurance solutions in CVF countries, in line with the aims of the UN Sustainable Development Goals, Paris Agreement on Climate Change, and Sendai Framework for Disaster Risk Reduction.

**01** Enable insurance solutions to provide enhanced de-risking of investments in climate-smart industry, resilient infrastructure and clean technologies; and

**02** Significantly increase insurance coverage for populations, livelihoods and economic assets against climate and disaster risks via integration of low-carbon/or climate resilient measures in MSMEs’ workers, operations, and business value chains.

**DUAL FOCUS**

The NDC is our industrial and economic resilience strategy.
SCOPE OF THE SUSTAINABLE INSURANCE AND TAKAFUL FACILITY

These insurance solutions would fall under two categories that will work in parallel:

**CATEGORY 1:** Promoting climate compatible local PPP MSME investments

Insurance solutions to enable the transition to low-carbon, resource-efficient and sustainable MSME investments and infrastructure

**CATEGORY 2:** Promoting social and financial inclusion and climate risk resilience

Insurance solutions to build inclusive climate and disaster-resilient communities via MSMEs Business Value Chains;

Insurance solutions to build inclusive climate and disaster-resilient communities and to support the G7 InsuResilience goal of providing access to insurance to an additional 400 million poor and vulnerable people by 2020
INTEGRATING ISLAMIC FINANCE PRINCIPLES IN CLIMATE FINANCE

“Any action with a view to protecting the planet and environment is also a step towards achieving the objective (maqasid) of Shariah,” according to the Islamic Research and Training Institute of the Islamic Development Bank Group (2016).

Parties to develop security and wealth by sharing both risk and return.
Takaful (insurance) is a cooperation between members of a community whereby each member undertakes to contribute a certain sum of money to a fund which will be used mutually to assist the members against a defined loss or damage.

The sharing of surplus funds is to be pre-agreed upon by policy-holders and Takaful operator.

This aligns incentives to pursue mitigation and adaptation activities.

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BUILDING LONG-TERM LOCAL CAPACITY
Example: Sustainable Insurance and Takaful Climate Risk Insurance in Mindanao, Philippines

NEXT STEPS

1. Grant funds for the implementation of the pilot facility (including program manager, workshops, awareness campaigns, and knowledge or evidence-based studies).

2. Grant funds for Climate Impact Studies, Actuarial Studies, Evidence-based studies for targeted sectors such as agriculture-MSME, BVC, etc. This will help determine what is insurable, what is loss and damage, what needs to be relocated (people and infrastructure), and what soft/hard engineering and infrastructure we should invest in (and what insurance is required to enable execution).

3. Provision of grant finance for contingent funding/seed money/or standby facility for climate reinsurance for local reinsurers or insurance companies.

4. Handholding Partnership Development with International Insurers or Reinsurers.
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