Climate Risk Insurance
– Overview & status quo
Weather related loss events

Accounted events have caused at least one fatality and/or produced normalized losses ≥ US$ 100k, 300k, 1m, or 3m (depending on the assigned World Bank income group of the affected country).

- **Meteorological events**
  - (Tropical storm, extratropical storm, convective storm, local storm)
- **Hydrological events**
  - (Flood, mass movement)
- **Climatological events**
  - (Extreme temperature, drought, forest fire)
- **Geophysical events**
  - (Earthquake, tsunami, volcanic activity)

**Overall**
- Number of relevant events: 15,800
- Overall losses: US$ 3,700bn
- Fatalities: 880,000
- Insured losses: US$ 1,100bn
Accounted events have caused at least one fatality and/or produced normalized losses ≥ US$ 100k, 300k, 1m, or 3m (depending on the assigned World Bank income group of the affected country).

- General floods, Flash floods
- Nominal overall losses
- Inflation adjusted overall losses (in 2017 values)
- Normalized overall losses (in 2017 values)

Inflation adjusted via country-specific consumer price index and consideration of exchange rate fluctuations between local currency and US$
Better risk analysis

Better construction codes

Financial and non financial mechanisms to face risk you can be prepared for

Better data about damages and about hazards.

ICRM Publication
Overall 38 countries mention climate risk insurance approaches in their NDCs.

In addition, another 4(5) countries feature the topic in their more elaborated National Adaptation Plans.

Climate risk insurance is mentioned in various forms – on an objective level, in terms of priority action and in view of international cooperation needs (including financing).
TOTAL OF 55 ADAPTATION-RELATED FUNDING PROPOSALS

- Other adaptation proposals: 21
- Adaptation proposals including CRM and Risk Transfer: 34

12 PROPOSALS FOCUSING PARTICULARLY ON RISK TRANSFER

- Proposals including Risk Transfer: 12
- Proposals including CRM elements without Risk Transfer: 22
## GCF Portfolio – CRM and Risk Transfer in approved proposals

<table>
<thead>
<tr>
<th>NO</th>
<th>PROJECT</th>
<th>COUNTRY</th>
<th>APPROVAL</th>
<th>RISK TRANSFER ELEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Acumen Resilient Agriculture Fund (ARAF)</td>
<td>East Africa and West Africa</td>
<td>March 2018</td>
<td>Investment in platform businesses that enable farmers’ access to inter alia, credit and insurance</td>
</tr>
<tr>
<td>2</td>
<td>Climate-Friendly Agribusiness Value Chains Sector Project</td>
<td>Kingdom of Cambodia</td>
<td>March 2018</td>
<td>Enabling environments for risk sharing mechanisms, e.g. weather index based crop insurance for small producers</td>
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<tr>
<td>3</td>
<td>Climate resilience of agricultural livelihoods in AgroEcological Regions</td>
<td>Zambia</td>
<td>March 2018</td>
<td>Increase access to finance and insurance products for smallholders</td>
</tr>
<tr>
<td>4</td>
<td>Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information</td>
<td>Georgia</td>
<td>March 2018</td>
<td>Enable development of national catastrophe insurance scheme through addressing risk information gaps</td>
</tr>
<tr>
<td>5</td>
<td>Pacific Resilience Project Phase II for RMI</td>
<td>Republic of the Marshall Islands</td>
<td>March 2018</td>
<td>Resilience interventions coupled with financial resilience tools, including CERC and Disaster Risk Financing Insurance</td>
</tr>
<tr>
<td>6</td>
<td>Bhutan for Life</td>
<td>Bhutan</td>
<td>October 2017</td>
<td>Reduction of human-wildlife conflict through, inter alia, the expansion of community-based crop and livestock insurance</td>
</tr>
<tr>
<td>7</td>
<td>The R4 Rural Resilience Initiative</td>
<td>Senegal</td>
<td>October 2017</td>
<td>Provision of risk transfer solutions to farmers, in conjunction with risk reduction and retention measures</td>
</tr>
<tr>
<td>8</td>
<td>Low-Emission Climate Resilient Agriculture Risk Sharing Facility for MSMEs</td>
<td>Guatemala/Mexico</td>
<td>October 2017</td>
<td>Anchor equity investments to support partners in the development of a regional re-insurance model focused on MSME’s catastrophic risks, e.g. droughts, storms, frost etc.</td>
</tr>
<tr>
<td>9</td>
<td>Resilient Agriculture in three of the Vulnerable northern crop-growing regions (CRAVE)</td>
<td>Namibia</td>
<td>October 2016</td>
<td>Piloting a crop insurance scheme in three target regions to build private sector business case</td>
</tr>
<tr>
<td>10</td>
<td>Scaling-up of Glacial Lake Outburst Flood (GLOF) risk reduction</td>
<td>Pakistan</td>
<td>October 2016</td>
<td>Fund to support GLOF preparedness and addresses market barriers in current credit and insurance markets</td>
</tr>
<tr>
<td>11</td>
<td>Improving the resilience of vulnerable coastal communities to climate related impacts</td>
<td>Vietnam</td>
<td>June 2016</td>
<td>Support of local government inter alia in identifying appropriate risk transfer mechanisms, looking at insurance and catastrophe bonds</td>
</tr>
<tr>
<td>12</td>
<td>Large-scale Ecosystem-based Adaptation in the Gambia River Basin</td>
<td>Gambia</td>
<td>June 2016</td>
<td>Validation of financial instruments such as risk-sharing facilities provided to micro-finance institutions and credit for EbA investments</td>
</tr>
</tbody>
</table>
The idea of climate risk insurance: Surfaced as early as 1991 during the negotiations around the creation of the Convention – Vanuatu on behalf of the SIDS suggested an international insurance pool to help SIDS against climate impacts; Was raised again at COP 7 in Marrakesh in 2001.

Loss & Damage under the UNFCCC: In 2007/08, the discussion of loss and damage began to gain momentum; in 2008 AOSIS proposed a mechanism to address L&D, including an insurance component.

Launch of the Warsaw International Mechanism: Risk transfer and sharing approaches as part of the comprehensive risk management work programme.

Launch of the G7 InsuResilience Initiative: In 2015, G7 leaders declared the launch of the G7 Climate Risk Insurance Initiative in Schloss Elmau, Germany, with the objective to insure an additional 400 mio. poor and vulnerable people by 2020.

The Paris Agreement: The topic of “risk insurance facilities, climate risk pooling and other insurance solutions” features as an area of cooperation and facilitation in Article 8 of the Paris Agreement.

The InsuResilience Global Partnership: At COP23, G20 and V20 countries jointly launch the InsuResilience Global Partnership to scale up ambition and cooperation beyond 2020.
Pro-poor principles

1. Comprehensive needs-based solutions
2. Client value
3. Affordability
4. Accessibility
5. Participation
6. Sustainability
7. Enabling environment

Pro-Poor Principles for Climate Risk Insurance

Source: Authors' own
Observations moving forward

- **Climate change impacts require spectrum of tools for resilience building:** Clear role for ex-ante risk financing approaches.

- **Articulated needs for climate risk insurance/risk transfer:** Bottom-up case for need around climate risk insurance and risk transfer options.

- **Widening scope on risk transfer solution:** Different concepts from pure commercial insurance approaches to risk transfer/sharing concepts in broader sense. GP on risk financing instruments.

- **Need to establish principles to engage on risk financing options:** Pro poor principles by MCII provide a starting point for the debate on CRI. However, there is a need for further organizing principles to programme risk financing option in the context of climate policy.

- **Measuring for impact:** Requirements for monitoring and accountability frameworks in the context of risk transfer.