

MCII/GIZ Workshop on "Innovative Insurance Solutions for Climate Change in a Comprehensive Risk Management Approach – Developing a Toolkit"

Date: May 12 and 13, 2014

Location: UN Campus in Bonn, Germany

Room: 2705

Workshop at a Glance

The frequency and severity of extreme weather events and natural catastrophes are on the rise world-wide in the context of climate change. Risk sharing and transfer instruments, such as insurance, are contributing to the efforts of governments and households to reduce the immediate and long-term financial impact associated with extreme weather events. They not only provide post-disaster liquidity for relief and reconstruction measures, but can also support *ex ante* measures to reduce vulnerability. A resilient climate risk management approach involves a balanced mix of approaches. In turn, insurance solutions should be designed and implemented as part of an integrated climate risk management approach.

In recent years, the international community has continuously highlighted risk management and insurance as a means to manage climate related risks during major international climate negotiations. Most notably, the Warsaw International Mechanism was established at the UNFCCC climate negotiations in November 2013 (the 19th Conference of the Parties) whereby an Executive Committee has been assigned a two-year work plan, with specific consideration to developing a comprehensive risk management approach including risk transfer tools such as insurance to address loss and damage as outlined in the Doha decision (3.CP/18), paras 6 and 7.

To inform the policy discussion on comprehensive risk management¹ approaches and to support climate negotiators in their short and long-term strategies to address loss and damage, MCII and GIZ will host a 2-day expert workshop on *Innovative Insurance Solutions for Climate Change in a Comprehensive Risk Management Approach – Developing a Toolkit* for practitioners and policymakers experienced in weather risk insurance, disaster risk reduction, and adaptation. The workshop will offer experts an opportunity to design a step-by-step country-driven risk management strategy

¹ A comprehensive climate risk management approach is comprised of three elements: information and data collection, risk prevention/reduction and risk transfer. It first combines an *ex ante* risk assessment to gather information for properly assessing the underlying risk, informing the decision-making process on the most appropriate risk management strategy and increasing risk awareness. Risk prevention/reduction are *ex ante* risk management strategies which include measures such as early warning systems, better building codes and enforcement, and improving agricultural practices or investments in infrastructure. The risk transfer instruments, such as insurance, transfer the financial losses associated with risks that cannot be prevented or reduced. A combination of these management tools can lead to a reduction in costs and an increase in the benefits of using limited private and public funds.

that includes insurance approaches, based on real-country scenarios provided in the workshop; to share case studies and illustrations on how to encourage a comprehensive risk management approach in emerging economies and developing countries; and a chance to explore innovative insurance approaches to address the negative consequences of climate change if society's efforts to mitigate and adapt are not sufficient.

Objectives

1. Comparative analysis of existing cases and lessons learned in implementing distinct insurance approaches (indemnity products, index-based weather insurance, generic vs. specific insurance) in emerging markets and developing countries to create a stronger evidence base on how to link insurance into a wider risk management strategy.
2. Devise a toolkit with critical steps that are needed to integrate insurance approaches into national risk management planning, taking note of existing challenges and limitations and ways to overcome them.
3. Examine the different roles of the relevant stakeholders and how they can work together to support a comprehensive climate risk management strategy that includes insurance and determine possible institutional arrangements (actors, partnerships) that can be considered to effectively integrate insurance tools into a wider risk management framework with possible case studies and examples.
4. Explore innovative insurance solutions for different climate change scenarios including: slow-onset events, global average temperature rise above 4°C by the end of this century, etc.
5. Offer recommendations to climate negotiators trying to develop and implement a strategic adaptation plan that reduces climate risk and includes insurance.

Outcomes:

1. **Draft a toolkit for policymakers consisting of guidelines on how to integrate insurance into a comprehensive national climate risk management approach:** During the workshop participants will identify some of the elements needed to link insurance into an integrated climate risk management strategy. This knowledge will be synthesized into a toolkit after the workshop, outlining all necessary steps that have to be taken, all necessary stakeholders involved including their respective roles, potential co-benefits as well as cross-cutting issues. It is envisaged that this toolkit can serve national adaptation planners who are interested in using insurance as an add-on to their existing national risk management / adaptation strategies.

2. **Provide guidance to climate negotiators at the Global Platform for Disaster Risk Reduction in May, the Climate Talks in June, and COP 20 on climate risk insurance:** The results of this workshop will be presented and refined during ongoing stakeholder dialogue with policy makers and climate negotiators from low income countries in the lead up to 2015. This can include a series of side-events and bi-lateral consultations at relevant policy fora such as the Executive Committee to Warsaw International Mechanism on Loss and Damage meetings, Bonn Climate Change Talks in 2014, COP 20, Regional Platforms on disaster risk reduction, to assess policy maker's knowledge gaps, gather key questions and improve their understanding on how to include climate risk insurance in an integrated climate risk management approach.
3. **Facilitate a network of experts:** By bringing in notable experts in climate risk insurance from across the globe to the workshop, MCII and GIZ will continue to consult experts on how to better address the knowledge gaps and capacity needs among policy makers and climate negotiators working in the UNFCCC and other relevant processes.

Activities:

Day 1

9:30-10:00 Participants arrive (coffee)

10:00-11:00 Welcome & Introduction

- The Run-up to 2015: Debrief on the Warsaw International Mechanism for Loss and Damage, climate change and the post-2015 policy agenda.
- Short summary of the previous workshop and outcomes including opportunities, limitations and challenges for using insurance to manage climate risks.
- MCII recap on their work in the Caribbean and other risk management initiatives.

11:00-11:30 Brief case study presentations

- Experts will present national and regional level case studies that demonstrate how insurance-related mechanisms contribute to climate risk management and focus on major lessons learned in implementing their project.
- The African Risk Capacity (ARC), R4 Rural Resilience Initiative (WFP), GIZ Kenya and the International Finance Corporation (IFC).

11:30- 12:30 Panel discussion

- Experts will be invited to pose specific questions to the presenters for further clarification and to improve their understanding on how to include climate risk insurance in an integrated climate risk management approach.

12:30-13:30 Lunch break

---Scenario analysis on designing and implementing a country-driven climate risk management approach---

13:30-14:00 Break-out group allocation and background read

- Experts will be divided into three groups and each group will be given a hypothetical scenario of a country interested in designing and implementing a comprehensive climate risk management approach that includes insurance.²
- Each group will have a chance to read-over their scenarios and to ask any immediate questions.³

14:00-15:00 Break-out Session 1

- Experts will **determine and analyze key activities** and approaches needed for an integrated climate risk management approach given the country's individual goals and existing list of activities and how the different activities fit together for a comprehensive approach.

15:00- 15:30 Report back on Session 1

- The focal point for each group will report back to all the participants on the first set of milestones.

15:30- 16:00 Coffee Break

16:00- 17:00 Break-out Session 2

- Groups will identify **relevant stakeholders** necessary to undertake the key activities and their different roles (public-private partnerships, development partners, etc). Furthermore, they will examine the different institutional realities in how they can assist/hinder a given comprehensive climate risk management strategy.

17:00- 17:30 Report back on Session 2

- The focal point for each group will report back to all the participants on the second set of milestones.

19:00 Joint Dinner

² There are three scenarios which offer participants information on the respective countries that are interested in designing and implementing a comprehensive climate risk management approach that includes insurance. Each country has a different goal in mind for setting up a comprehensive approach along with varying existing risk management activities.

³ Each group will be assigned one focal point to guide the discussions in the break-out groups.

Day 2

09:00-09:30: Participants arrive

9:30-10:30: Break-out Session 3

- Groups will discuss what **preconditions are needed for insurance** to play a meaningful role in managing climate-related risks in their respective country of focus and how it informs the strategy and design options for the given country interested in implementing insurance in a comprehensive approach.
- Experts will outline **sequencing options** for the proposed activities for implementing a comprehensive climate risk management approach in the given countries.

10:30-11:00 Report back on Session 3

- The focal point for each group will report back to all the participants on the third set of milestones.

11:00-11:30 Coffee Break

11:30-12:30 Break-out Session 4

- Each group will discuss some of the remaining **challenges that need to be addressed** by the individual countries before setting up a comprehensive climate risk management approach that include insurance. In particular, groups will focus on issues for implementation and how to break through possible “policy silos” and foreseen policy conflicts.

12:30-13:00 Report back on Session 4

- The focal point for each group will report back to all the participants on the fourth set of milestones.

13:00-14:00 Lunch break

14:00- 15:00 Recap

Short summary and recap on general findings from each group.

15:00-15:30 Coffee Break

15:30-16:30: Discussion

- Experts will be offered a discussion space on new ways of viewing the climate change challenge and for additional thoughts on the opportunities in the next policy window leading up to 2015 (Post- 2015 Framework for Disaster Risk Reduction, Post- 2015 Development Agenda, UNFCCC Climate Deal, the World Humanitarian Summit 2016, etc).
- Participants will also be given the opportunity to discuss how they hope to use the toolkit.

16:30- 17:00 Conclusion

- MCII and GIZ will conclude on how they will use the toolkit: Bring to the Adaptation Committee and to the Executive Committee on loss and damage interested in more knowledge on how to design and implement a comprehensive climate risk management approach.

17:30-18:30 Departure

About MCII

The Munich Climate Insurance Initiative (MCII) was launched in April 2005 in response to the growing realization that insurance-related solutions can play a role in adaptation to climate change, as advocated in the Framework Convention and the Kyoto Protocol. This initiative brings together insurers, experts on climate change and adaptation, NGOs and policy researchers who intend finding 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 is hosted at UNU-EHS in Bonn, Germany. For more information, please visit:

http://www.climateinsurance.org/front_content.php?idcat=858

About GIZ:

GIZ offers customized solutions to complex challenges. GIZ is an experienced service provider and assist the German Government in achieving its objectives in the field of international cooperation. GIZ offers demand-driven, tailor-made and effective services for sustainable development. For more information, please visit:

<http://www.giz.de/en/>

Participants list (note the list can still be subject to change).

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