

Press Release

MCII helps “G7 InsuResilience” implement climate insurance for the vulnerable

04 December 2015, Paris – At COP21 in Paris, the Munich Climate Insurance Initiative (MCII) presented key findings on how the G7 InsuResilience Initiative can meet the needs of poor and vulnerable people facing climate risks.

At the Elmau G7 Summit in June this year, the G7 launched the unprecedented InsuResilience Initiative. The initiative aims, by 2020, to give up to 400 million additional people in the most vulnerable developing countries access to direct or indirect climate risk insurance. MCII is a key advisor to InsuResilience and facilitates effective stakeholder dialogue. It helps ensure that the initiative will meet the needs of the target group: climate-vulnerable people living on less than US \$2 per day.

“Communities living on the frontlines of climate change are already feeling the negative impacts of climate stressors today,” said Dr. Koko Warner, MCII Executive Director. “Well designed Insurance schemes can be an important tool to help poor and vulnerable people manage weather-related risks. G7 is driving a paradigm shift in how we think about insurance and how it can benefit the poor. In the coming years, we want to see not only a mindset change, but also a new way of practicing insurance that includes poor people struggling with climate change.”

New thinking about climate risk insurance

MCII conducted expert interviews with thought leaders and innovators from primary and reinsurance companies, pioneers using risk transfer to reshape humanitarian assistance, and practitioners at the vanguard of risk management and adaptation. They were asked to explore what conditions are needed to effectively reach poor households with climate risk insurance. The following four key success factors emerged:

- 1) New insurance products and delivery channels must be tailored to meet the target group needs and secure development priorities; many of them will be public private schemes;
- 2) Local and poor clients should participate in designing and delivering innovative insurance products;
- 3) Local stakeholders need greater capacity in financial risk management, data collection and processing, and effective contingency plans;
- 4) Insurance approaches for the poor must be sustainable and viable in both social and economic terms. They must be designed in a way that incentivizes risk reduction.

“More than 2.3 billion people currently live on less than USD\$1.25 a day. Most of them depend on agriculture for their livelihoods,” stated Christoph Bals, MCII Vice-Chair. “Climate related shocks pose a constant threat to their food security and well-being. As climate change increases the frequency and intensity of these shocks, it is an international task to find viable pathways to ensure the poorest land quickly back on their feet after a weather disaster. This can only be achieved with the private and public sector working together.”

InsuResilience can drive new ways of providing insurance

“Worldwide, smart support can raise people out of poverty. For example, an insured food-for-work safety net program in Ethiopia (R4) has helped participants save 123% more, increase cereal stocks by 254%, and safeguard nutrition, even in drought years, because of the protection insurance offered the poor farmers,” said Dr. Peter Höpfe, MCII Chairman, “Few if any insurance related approaches specifically targeted towards the poor have been

started and sustained without premium support. We applaud G7 for their unprecedented efforts in launching the InsuResilience Initiative and welcome the opportunity to provide expertise on ensuring the initiative reaches those who need it the most.”

MCII research identified five enabling conditions for effective and sustainable climate risk insurance:

- 1) Be locally owned and driven;
- 2) Foster financial inclusion;
- 3) Incentivize climate adaptation and disaster risk reduction;
- 4) Be embedded in robust regulatory frameworks;
- 5) Provide sustainable and credible delivery channels to reach the poor.

As pioneers in climate risk insurance, MCII has been working on the application of insurance solutions for vulnerable people for the last 10 years. It is now operational in three countries in the Caribbean (Jamaica, St. Lucia, Grenada) where it launched two insurance policies (one for individuals and one for financial institutions) and initiated the integration of micro insurance into national legislation.

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About MCII

For 10 years the Munich Climate Insurance Initiative (MCII) has been working to introduce insurance solutions to the world’s most climate vulnerable communities. The initiative represents a unique partnership between some of the world’s largest (re)-insurers, academic think tanks, NGOs and adaptation and insurance practitioners. MCII is hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS).

Website: <http://www.climate-insurance.org>

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