



Press Release

Building resilience with Climate Risk Insurance

Bonn, 6 June 2014- Damages from extreme weather events amount to US\$ 1.3 billion in low-income countries and US \$ 6.8 billion in lower middle income countries annually. During and after floods, storms and heavy rainfall, the most vulnerable communities are the hardest hit as they have limited or no coping capacity.

“People experience climate change as an increasing number of extreme weather events such as storms, floods and droughts. These events destroy incomes, jobs, and homes. They often force individuals in vulnerable countries to resort to a variety of desperate coping strategies, such as skipping meals, taking children out of school, not repaying loans or selling key assets. Worldwide, there is a growing need to buffer against climatic shocks. Insurance, in combination with other tools such as early warning systems and risk reduction, can build communities’ resilience and bolster adaptation,” says Dr. Koko Warner, Executive Director of The Munich Climate Insurance Initiative (MCII).

MCII is an innovation laboratory which pioneers climate risk management solutions in places like small island states. With the support of the German fast-track climate finance, MCII works with local insurers and local credit institutions to deliver products that protect the financial basis of low-income individuals. The Livelihood Protection Policy (LPP), an MCII developed model, helps communities to recover quickly from extreme weather events through a fast insurance payout combined with early warning and other risk reduction measures.

For example, on Christmas Eve 2013, Saint Lucia was struck by a storm with heavy rainfall, which caused significant damage. Mr. Walter Edwin, a local honey producer was severely affected and faced losing his livelihood. As a LPP holder, he was able to receive quick insurance payout which enabled him to buy the necessary products to restore his commercial beekeeping activities and avoid financial losses.

“Insurance can act as a safety net to the risks that extreme weather events impose on livelihoods of the most vulnerable communities” says Sobiah Becker, MCII Project Manager. “The financial base of low income groups such as farmers or fishermen can be completely destroyed by one flood or one storm. With the insurance payout, individuals can cover their losses and begin to rebuild their livelihoods immediately. “

To manage the impact of extreme weather events on affected populations, governments and international donors provide post-disaster aid programmes, but they are often not timely, nor financially efficient. Disaster recovery expenses can drive countries into debt and strain national budgets. In the context of climate change, many governments are evaluating what role insurance can play in managing climate change-related risks.

To help policy makers manage climate risks, MCII and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) bring lessons learned and practical expertise into the implementation of comprehensive climate risk solutions. The organizations have put forward a set of recommendations around how different countries can address climate risks to fit their local needs and context, how

they need to sequence key activities to be undertaken by the relevant actors involved in the approach; necessary preconditions that need to be in place; issues for implementation and how they can be addressed along with recommendations to the international climate community.

These expert innovations and insights will be discussed this week at the June Climate Talks in Bonn. The talks are a milestone as countries prepare for an international climate agreement in Paris 2015 and seek to find ways to manage the risks of climate change.

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About MCII

The Munich Climate Insurance Initiative (MCII) was initiated by Munich Re in April 2005 in response to the growing realization that insurance solutions can play a role in adaptation to climate change, as suggested in the Framework Convention and the Kyoto Protocol. This initiative is hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS) and is formed by insurers, climate change and adaptation experts, NGOs, and policy researchers intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering place for insurance-related expertise applied to climate change issues. For more information, please visit: <http://www.climate-insurance.org>

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