

Press Release

Climate risk insurance - empowering vulnerable communities

Lima, Peru, 11 December 2014 – Climate studies show that as extreme weather such as storms, floods and droughts become more frequent and intense, vulnerable communities on the frontlines of climate change are being pushed to the limit. Often working in climate sensitive sectors such as agriculture and tourism, these low-income households and small businesses suffer from failed crops and diminishing wages. Without savings or any financial safety net it might only take one extreme weather event before they slip below the poverty line.

The Munich Climate Insurance Initiative (MCII) researches, designs and implements insurance solutions on the ground and monitors their effects. In the Caribbean, MCII has developed the first index based insurance product in the region that covers multiple countries and risks. The plan gives policyholders payouts when rainfall or wind speeds exceed certain thresholds, not for actual losses, so payouts are faster. The approach also features an early warning SMS system that informs people of approaching weather events and provides advice on how to prepare and respond. On Christmas Eve 2013, torrential rains and flooding triggered the first insurance payout for policy holders in St. Lucia.

“Increasingly governments are realizing how important insurance related solutions can be for their low-income populations who are struggling with the effects of climate change. Based on the experiences with MCII’s work in the Caribbean, Jamaica, Grenada and Saint Lucia integrated microinsurance into their national legislation, which is an important milestone” explained Dr. Koko Warner, MCII Executive Director, “We are now working on inclusion in regional legislation and policy.”

MCII works with development practitioners, insurance companies, climate experts and policymakers to explore how financial inclusion, through insurance and access to credit, can buffer low-income households against the effects of climate change.

“A rice farmer in the Philippines whose family depends on their annual rice harvest, can be entirely devastated by a single cyclone,” said Peter Höpfe, MCII Chairman. “Financial inclusion can help vulnerable people not only recover from damage but also give them the confidence to invest in their futures, and thus increase resilience, sustainable growth and development. This gives them a better outlook, which helps them adapt to the climate change challenges to come.”

MCII is also extending its field work to other regions and is currently partnering with the government of Pakistan. In Pakistan this year MCII has drawn up a disaster risk profile for the country, which identifies the kinds of hazards (e.g. hurricane, landslides) different parts of the country experience. With this information they are currently working with the government to assess how viable climate risk insurance may be for vulnerable communities.

“We will need viable solutions to respond to climate change. MCII’s research in the Caribbean and in Pakistan shows us that climate insurance solutions can provide a financial buffer for vulnerable

communities, if it is incorporated into a country's broader climate change adaptation strategy" states Christoph Bals, MCII Vice-Chair. "Now is the time for countries to establish the groundwork to implement these insurance solutions and to protect the livelihoods of their most vulnerable communities."

MCII's climate risk management tools for vulnerable people should be incorporated in the new international agreement in Paris at COP 21 next year. These tools come at a key moment as promising developments with Green Climate Fund pledges help create the environment to make them feasible.

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About MCII

The Munich Climate Insurance Initiative (MCII), supported by Munich Re and hosted at United Nations University (UNU), has been developing innovative insurance related solutions that target the most climate-vulnerable communities around the world. Work on the ground in the Caribbean and Pakistan was conducted in partnership with the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the UK Department for International Development (DFID). To learn more, please visit http://www.climate-insurance.org/front_content.php?idcat=858.

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