How to make insurance work for the most vulnerable: Seven guiding principles

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1. What, why and how

• Can climate risk insurance contribute to building the resilience of the most vulnerable?
• How can climate risk insurance effectively reach the poor and vulnerable, what are success factors and challenges?
2. The potential of climate risk insurance

**CONTRIBUTION OF CLIMATE RISK INSURANCE**

- **CATALYZING**
  - Risk assessment

- **PROTECTING**
  - Improving financial liquidity after a disaster
  - Reducing distress asset sales
  - Increasing food security
  - Enabling rapid recovery

- **PROMOTING**
  - Increasing savings
  - Increasing savings, productivity & investment in higher return activities
  - Improving credit worthiness

- **SPURRING TRANSFORMATION**
  - Incentivizing risk reduction behavior
  - Fostering a culture of prevention-focused risk management

**DETERMINANTS OF RESILIENCE**

- **ANTICIPATE**
- **ABSORB**
- **ADAPT**
The role of insurance in comprehensive risk management

Figure 2: Insurance in the process of comprehensive climate risk management
Source: Modified from World Bank (2015).
3. MCII's Pro-Poor Principles for Climate Risk Insurance
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Solutions to protect the poor and vulnerable from extreme weather events must be tailored to local needs and conditions. It is imperative to embed insurance in comprehensive risk management strategies that improve resilience.
3. MCII's Pro-Poor Principles for Climate Risk Insurance

Providing reliable coverage that is valuable to the insured is crucial for the take-up of insurance products.
Measures to increase the affordability for poor and vulnerable people are paramount to the success of an insurance scheme and also important to satisfy equity concerns.
3. MCII's Pro-Poor Principles for Climate Risk Insurance

Efficient and cost-effective delivery channels that are aligned with the local context are key for reaching scale.
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Successful insurance schemes are based on the inclusive, meaningful and accountable involvement of (potential) beneficiaries and other relevant local level stakeholders – in the design, implementation and review of insurance products – creating trust and providing a basis for local ownership and political buy-in.
Safeguarding economic, social and ecological sustainability is crucial for the long-term success of insurance schemes.
It is vital to actively build an enabling environment that accommodates and fosters pro-poor insurance solutions.
Thank you for your attention!

Questions?

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