Climate Risk Insurance – Why, What, How
The Global Protection Gap
The Global Protection Gap

Insurance penetration per country
Classification per capita by property insurance premium (non-life including health)

- Highly insured (>1,000 US$)
- Well insured (101 – 1,000 US$)
- Basically insured (10 – 100 US$)
- Inadequately insured (<10 US$)
- No data
CRAIC Scheme  - an Overview

<table>
<thead>
<tr>
<th>Countries</th>
<th>Jamaica and St. Lucia. Phase II will expand to Grenada, Belize and Trinidad &amp; Tobago</th>
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</thead>
<tbody>
<tr>
<td>Perils covered</td>
<td>High wind speed and excessive rainfall</td>
</tr>
<tr>
<td>Type of insurance</td>
<td>Trigger-based parametric index</td>
</tr>
<tr>
<td>Data source</td>
<td>Rain is monitored by DHI; wind is monitored by CCRIF (Until October 2017)</td>
</tr>
<tr>
<td>Partner Organisations</td>
<td>International:</td>
</tr>
<tr>
<td></td>
<td>- CCRIF, Munich Re. DHI, ILO Impact Insurance Facility</td>
</tr>
<tr>
<td></td>
<td>Local:</td>
</tr>
<tr>
<td></td>
<td>- Insurers, aggregators, ministries, regulatory authorities.</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Local insurers and authorised agents</td>
</tr>
<tr>
<td>Policyholders</td>
<td>No specific target group</td>
</tr>
<tr>
<td>Payouts</td>
<td>Five payouts $112,774,00</td>
</tr>
</tbody>
</table>
Role of Innovation in Climate Risk Insurance
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Continuous product innovations essential for creating valuable CRI Products

- CRI products are heading from traditional indemnity based to index based and hybrid insurance products. Picture based insurance is being piloted in selected regions.
- Many programs link insurance to credit, access to modern inputs and better technologies, or to a better market outlet, all of which can make the insurance part of a real value adding proposition for insured farmers apart from disaster risk reduction.
- Concepts like Early Recovery Vouchers (ERVO) are a promising solution to provide immediate ex ante disaster recovery option and enforcing risk reduction measures.

Technology to play a crucial role in building accurate and cost efficient climate risk solutions

- Use of satellite with higher spatial resolutions has helped in providing more accurate indexes and also opened the possibility of early payments.
- Applications of blockchain technology like smart contracts are a promising, cost efficient solution for weather insurance because of its objective parameter.
- Insurers are taking advantage of mobile phone and mobile banking technologies to collect premiums and make payments in a timely and cost effective manner.
- Innovations in insurance technology and like crowd sourcing platform and social networking have led to the Peer to Peer (P2P) Insurance movement.
Pro-poor principles for climate risk insurance
Pro-poor principles for climate risk insurance

- Needs based solutions
- Client value
- Affordability
- Accessibility
- Participation
- Sustainability
- Enabling environments
Climate risk insurance – policy agenda
Climate risk insurance – policy agenda

Major policy outcomes included

• G7 commitment of InsuResilience

• Paris Agreement: Clearing House for Risk Transfer & Work of the Warsaw International Mechanism

• G20 acknowledgement on Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions

• Africa Union established Africa Risk Capacity as Specialized Agency, other regional risk pools
Climate risk insurance – policy agenda (ct)

1. Increase the support for climate risk insurance mechanisms

2. Ensure accountability of pro-poor focus of existing initiatives

Bilateral and multilateral initiatives: Strive for broadened impact of climate risk insurance approaches

3. Institutionalize a partnership on climate risk insurance that addresses relevant issues
Climate risk insurance – policy agenda (ct)

1. Provide enabling conditions for climate risk insurance approaches
2. Design climate risk management strategies to guide implementation

National governments: How countries can implement effective climate risk insurance approaches

3. Revisit climate risk insurance concepts as part of next NDC iteration
1. Operationalize the Risk Transfer Clearing House as central go-to place

UNFCCC – Decision-maker: Operationalize support structures for climate risk insurance approaches in UNFCCC

2. Establish guidance on Integrated Climate Risk Management, Action and Support
Climate risk insurance – policy agenda (ct)

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Thank you!

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