MCII and GIZ Workshop on:
Innovative insurance solutions for climate change: Creating a toolkit on how to integrate insurance into a country-driven climate risk management approach

Date: May 12 and 13, 2014
Location: UN Campus in Bonn, Germany

Workshop at a Glance

Due to climate change, the frequency and severity of extreme weather events and natural catastrophes are on the rise world-wide. Risk sharing and transfer instruments, such as insurance, are contributing to the efforts of governments and households to reduce the immediate and long-term financial impact associated with extreme weather events. They not only provide post-disaster liquidity for relief and reconstruction measures, but can also support ex ante measures to reduce vulnerability. A resilient climate risk management approach involves a balanced mix of approaches. In turn, insurance solutions should be designed and implemented as part of an integrated climate risk management approach.

In recent years, the international community has continuously highlighted risk management and insurance as a means to manage climate related risks during major international climate negotiations. Most notably, the Warsaw International Mechanism was established at the UNFCCC climate negotiations in November 2013 (the 19th Conference of the Parties) whereby an Executive Committee has been assigned a two-year work plan, with specific consideration to developing a comprehensive risk management approach including risk transfer tools such as insurance to address loss and damage as outlined in the Doha decision (3.CP/18), paras 6 and 7.

To inform the policy discussion on comprehensive risk management approaches and to support climate negotiators in their short and long-term strategies to address loss and damage, MCII and GIZ will host a 2-day expert workshop on Innovative insurance solutions for climate change: Creating a toolkit on how to integrate insurance into a country-driven climate risk management approach for practitioners and policymakers experienced in weather risk insurance, disaster risk reduction, and adaptation. The workshop will offer experts an opportunity to design a step-by-step country-driven risk management strategy that includes insurance approaches, based on real-country scenarios provided in the workshop; to share case studies and illustrations on how to encourage a comprehensive risk management approach in emerging economies and developing countries; and a chance to explore innovative insurance approaches to address the negative consequences of climate change if society’s efforts to mitigate and adapt are not sufficient.
Objectives

1. Comparative analysis of existing cases and lessons learned in implementing distinct insurance approaches (indemnity products, index-based weather insurance, generic vs. specific insurance) in emerging markets and developing countries to create a stronger evidence base on how to link insurance into a wider risk management strategy.

2. Devise a toolkit with critical steps that are needed to integrate insurance approaches into national risk management planning taking note of existing challenges and limitations and ways to overcome them.

3. Examine the different roles of the relevant stakeholders and how they can work together to support a comprehensive climate risk management strategy that includes insurance and to determine possible institutional arrangements (actors, partnerships) that can be considered to effectively integrate insurance tools into a wider risk management framework with possible case studies and examples.

4. Explore innovative insurance solutions for different climate change scenarios including: slow-onset events, global average temperature rise above 4°C by the end of this century, etc.

5. Offer recommendations to climate negotiators trying to develop and implement a strategic adaptation plan that reduces climate risk and includes insurance.

Outcomes:

1. Draft a toolkit for policymakers consisting of guidelines on how to integrate insurance into a comprehensive national climate risk management approach: During the workshop participants will identify some of the elements needed to link insurance into an integrated climate risk management strategy. This knowledge will be synthesized into a toolkit after the workshop, outlining all necessary steps that have to be taken, all necessary stakeholders involved including their respective roles, potential co-benefits as well as cross-cutting issues. It is envisaged that this toolkit can serve national adaptation planners who are interested in using insurance as an add-on to their existing national risk management / adaptation strategies.

2. Provide guidance to climate negotiators at the Global Platform for Disaster Risk Reduction in May, the Climate Talks in June, and COP 20 on climate risk insurance: The results of this workshop will be presented and refined during ongoing stakeholder dialogue with policy makers and climate negotiators from low income countries in the lead up to 2015. This can include a series of side-events, bi-lateral consultations at relevant policy fora such as the Executive Committee to Warsaw
International Mechanism on Loss and Damage meetings, Bonn Climate Change Talks in 2014, COP 20, Regional Platforms on disaster risk reduction, to gather policy maker’s knowledge gaps and key questions and to improve their understanding on how to include climate risk insurance in an integrated climate risk management approach.

3. **Facilitate a network of experts:** By bringing in notable experts in climate risk insurance across the globe to the workshop, MCII and GIZ will continue to consult experts on how to better address the knowledge gaps and capacity needs among policy makers and climate negotiators working in the UNFCCC and other relevant processes.

**Activities:**

**Day 1**

9:30-10:00 Participants arrive (coffee)

10:00-11:00 Welcome & Introduction (workshop objectives, etc.)

- Brief overview of the climate negotiations process including key decisions and the work of the Executive Committee for the Warsaw International Mechanism for Loss and Damage for practitioners.

- Short summary of the previous workshop and outcomes: Opportunities, limitations, and challenges for using insurance to manage climate risks, enabling environment necessary to allow insurance to play a complementary role in managing climate risks.

11:00-12:30 Case study presentations

- Experts will present national- and regional level case studies that demonstrate how insurance-related mechanisms contribute to climate risk management and lead to reduced losses.

- Presenters will focus on the major lessons learned in implementing their project and reflect on what steps are required to set-up the institution in a given country given the different geographical and socio-economic context, specific stakeholder participation, and the impact. They will offer a brief summary of the instrument, description along each stage of the risk management cycle, and illustration on how it encouraged a comprehensive approach.

- ARC, Philippines/IFC

12:30-13:30 Lunch break

13:30-15:30 Case study presentations (cont’d)

- R4, Caribbean, IRI

15:30-15:45 Coffee break
---Scenario analysis on designing and implementing a country-driven climate risk management approach----

15:45-18:00 Break-out group discussions 1

- Experts will be divided into three groups and each group will be given a hypothetical scenario of a country interested in designing and implementing a comprehensive climate risk management approach that includes insurance. ¹
- Each group will be assigned one focal point to guide the discussions in the break-out groups.
- Participants will first
- Experts will discuss some of the current experiences in developing countries of linking disaster risk reduction and insurance and what basic recommendations and guidelines can they propose to policymakers initiating this process. Brainstorm the challenges of their own country in implementing a comprehensive approach.

18:30 Joint Dinner

Day 2

9:30-12.30 Break out group discussion 2 (cont’d)

- The group will then analyze what services insurance tools offer to complement the climate risk management cycle under the different scenarios. They will look at the opportunities for enhancing insurance contribution along with the risks associated with using insurance solutions under certain contexts.
- Experts will elaborate on, inter alia, the different roles for each stakeholder involved in the integrated risk management framework under the given scenario. They will also discuss the enabling environment and how it informs the strategy and design options for the given country interested in implementing insurance in a comprehensive approach.

12:30-13:30 Lunch break

¹ Separate document will be provided to three different groups on the basic information about the country including: a list of activities, types of hazard, financial status, regulatory environment, availability of data, technical elements, etc.
13:30- 16:30 Report back and discussion

- Each focal group member will report back to the entire group on the general set-up of their toolkit and discuss remaining gaps and challenges.

- Discussion with participants how they hope to use the toolkit.

- Experts will be offered a discussion space to provide comments on how they hope to use the toolkit and new ways of viewing the climate change challenge and for additional thoughts on the opportunities in the next policy window leading up to 2015 (Post- 2015 Framework for Disaster Risk Reduction, Post- 2015 Development Agenda, UNFCCC Climate Deal, the World Humanitarian Summit 2016, etc).

- MCII and GIZ will conclude on how they will use the toolkit: bring to the Adaptation Committee and to the Executive Committee on loss and damage interested in more knowledge on how to design and implement a comprehensive climate risk management approach.

16:30-17:00 Conclusion and final remarks

About MCII

The Munich Climate Insurance Initiative (MCII) was launched in April 2005 in response to the growing realization that insurance-related solutions can play a role in adaptation to climate change, as advocated in the Framework Convention and the Kyoto Protocol. This initiative brings together insurers, experts on climate change and adaptation, NGOs and policy researchers who intend finding solutions to the risks posed by climate change. MCII provides a forum and gathering point for insurance-related expertise on climate change impact issues. MCII is hosted at UNU-EHS in Bonn, Germany. For more information, please visit:

http://www.climateinsurance.org/front_content.php?idcat=858

About GIZ:

GIZ offers customized solutions to complex challenges. GIZ is an experienced service provider and assist the German Government in achieving its objectives in the field of international cooperation. GIZ offers demand-driven, tailor-made and effective services for sustainable development. For more information, please visit:

http://www.giz.de/en/