

Press Release

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Good chances for insurance solutions to be part of Climate Deal in Copenhagen 2009

Delegates build insurance into the interim negotiating text at UN-climate negotiations in Bonn this week

FOR RELEASE ON 7 April 2009. Bonn, Germany. Insurance has been included into the interim negotiating text for the climate summit 2009 in Copenhagen at the climate negotiations this week in Bonn. This is a critical juncture to build insurance mechanisms into the architecture of the agreement that will emerge in Copenhagen this year.

Extreme weather events on the rise - impacting developing countries the most

Economic losses from weather-related natural hazards are rising, averaging roughly US\$ 100 bn per annum in the last decade. The losses in value and productive capacity are the highest in developing countries. The need for risk management tools such as insurance is growing in these areas at a time of mounting climate related and other risks. By providing financial security against droughts, floods, tropical cyclones and other forms of weather variability and extremes, insurance instruments present an opportunity for developing countries to reduce poverty and adapt to climate change.

Climate negotiations pass milestone on insurance

An important milestone was passed at the current Climate Talks in Bonn, Germany. The UNFCCC issued a "focus paper" as a foundation upon which negotiators will build the elements of the negotiating text heading into Copenhagen. That paper laid out two crucial points for establishing insurance in the Copenhagen treaty:

First, a risk management framework that includes insurance. Risk reduction and insurance are areas of broad Party consensus.

Second, the paper calls for a specialized financial mechanism and dedicated multilateral funds for adaptation. This includes any financial support that may be needed to support elements of a new mechanism for insurance. Institutional arrangements to enable financing for adaptation would include a political framework and dedicated committee.

Thus insurance will not merely appear as a keyword in the Copenhagen agreement, but will see concrete funding and operational considerations put into it. Christoph Bals, Vice Chairman of MCII and Executive Director of the NGO Germanwatch expects that the climate negotiations will, by the end of 2009, create an adaptation framework with risk management - of which insurance solutions targeting the most vulnerable in developing countries would be a part.

MCII Innovative risk management proposal

The MCII proposal under consideration at the climate negotiations includes risk reduction and insurance in an international risk-management module. This would be financed as part of a climate change financial mechanism to be agreed on in Copenhagen in 2009. MCII, a nonprofit organization which bundles key expertise from NGOs, academia and the private sector, estimates that the annual cost of such a global risk management module would be approximately US\$ 10 bn per year. The proposal further calls on emitting countries to finance international risk pooling for devastating weather-related events that effect poor vulnerable countries. Additionally, developing countries could receive international support to promote sustainable, affordable and incentive-compatible insurance programs that serve the poor without crowding out private sector involvement.

From now to June on the way to Copenhagen

During the current Bonn Climate Talks, the delegations called strongly for insurance measures and began hammering out negotiating text reflecting their priorities regarding insurance. Prof. Peter Hoeppe, Chair of MCII and Head of Geo Risks Research of Munich Re: "The decision at the climate talks in Bonn has made it very likely that insurance solutions for developing countries will be part of the post-2012 agreement that hopefully will be decided upon at the end of this year. MCII will help support this process in the next round of Climate Talks in June by delivering a technical paper, together with ISDR, that explores the evidence on how insurance mechanisms can help reduce disaster risk and support adaptation - by organizing an adaptation, risk management and insurance symposium - and by elaborating a more detailed proposal for the Bonn negotiations in June answering questions of delegations posed in the current UN climate negotiations."

About the Munich Climate Insurance Initiative (MCII):

The Munich Climate Insurance Initiative (MCII) was launched in 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 intent on 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 was founded by representatives of the European Climate Forum, Germanwatch, IIASA, Munich Re, the Munich Re Foundation, the Potsdam Institute for Climate Impact Research (PIK), the United Nations University Institute for Environment and Human Security (UNU-EHS), the World Bank, and independent experts. The group is open to new members, e.g. representatives of other insurance or reinsurance companies, climate change and adaptation experts, NGOs and policy researchers seeking solutions to the risks posed by climate change.

Information about the Munich Climate Insurance Initiative (MCII)

www.climate-insurance.org

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