

## Rationale

### Climate change and increasing weather-related disasters

In recent years there have been more and more indications that climatic change is already influencing the frequency and intensity of natural catastrophes. According to the World Meteorological Organisation (WMO), the years 2001 to 2004 were among the five warmest worldwide since 1861. A new study performed by MIT and published by K. Emanuel shows that, since the 1970s, major tropical storms in both the Atlantic and the Pacific region have increased in duration and intensity by about 50 percent. Emanuel predicts that this global-warming-induced trend will continue in the future.

The year 2005 set a record in terms of hurricanes in the North Atlantic: never before since recording began in 1850 have so many named tropical storms developed so early in the season (seven by the end of July). The absolute record of 21 for a whole season (in 1933) will certainly be beaten in 2005 as 20 storms have already been recorded up to mid-October.

If the scientific global-climate models are accurate, the present problems will be magnified in the near future. These models suggest that we should expect

- an increase in the frequency and severity of heatwaves, droughts, wildfires, tropical and extratropical storms, tornadoes, hailstorms, floods, and storm surges in many parts of the world,
- new exposures (like hurricanes in the South Atlantic),
- more extensive damage and economic, social, and environmental impacts from weather-related disasters.

Changes in many atmospheric processes will profoundly impact the lives, health, and property of millions of people. Of special concern is the fact that the impact of climate change will be felt most acutely by the world's poorest people. To date, these vulnerable groups have also had the least access to affordable insurance.

### The decisive question: What strategies will help us adapt to climate change?

The decisive question today is not when we will have ultimate proof of anthropogenic climate change – a small degree of uncertainty will remain for some time – but which strategies we should follow to mitigate and adapt to climate change. Insurance-related mechanisms can be an effective part of adaptation strategies.

They can dampen the negative effects of global warming and reduce the financial risks of an increasing number of natural catastrophes.

As the frequency and scope of losses due to major natural catastrophes, especially tropical storms, continue to increase, there is a growing need to explore other options for managing and transferring risks associated with climate change. Market insurance and risk transfer solutions – climate insurance – can be part of the solution in enabling disaster-prone countries to successfully manage the new climate risks.

## COP 11 – Special thematic session on climate insurance

In pursuit of its objectives, MCII will direct a special side event on climate insurance at the COP 11 meeting in Montreal, Canada (date and time to be announced).

**Side event title:** “Climate insurance”

### Purpose

Members of the MCII will provide cohesive information on the general considerations associated with climate-related insurance mechanisms and the opportunities and challenges presented by these mechanisms. The session will explore specific experiences and concrete next steps for climate-related insurance mechanisms. Presentations and discussion papers will serve as a point of departure for concrete discussions on

- specific experiences with insurance-related mechanisms designed to manage the impacts of climate change,
- challenges and opportunities involved in using insurance-related mechanisms, and the barriers that need to be addressed if insurance options are to become more viable,
- concrete next steps to further explore climate-related insurance mechanisms.

The session will give a summary of key issues for policymakers in the use of insurance-related mechanisms in respect of climate change impacts, together with a compendium of discussion papers that will support the process of improving management of and adaptation to climate change.

### Who should attend this side event?

- Public sector: policymakers at national and local levels, representatives of finance ministries, representatives of NGOs and community groups addressing climate change and adaptation
- International community: international finance institutions (IFIs), United Nations, research institutions
- Private sector: insurance and reinsurance, financial intermediaries such as reinsurance brokers and investment banks, risk-modelling companies, and other companies with risk transfer expertise

## COP 11 – Special thematic session on climate insurance

### Overview of session

The session will first explore the scientific and economic rationale for insurance-related tools designed to manage climate risks. Next, there will be a summary of realistic options for using insurance mechanisms for climate-related risks, followed by a presentation of the key questions to be considered when setting up insurance schemes for climate risks. The private sector's role in climate insurance schemes and a review of the position in India will conclude the presentation part of the side event. The session will culminate in a podium discussion and questions from the audience. The side event will conclude by identifying challenges, opportunities, and concrete next steps regarding climate insurance.

### Tentative agenda and speakers for the climate insurance workshop at COP 11

<b>Introduction and moderation</b>	Ian Burton, University of Toronto, and Scientist Emeritus, Meteorological Service of Canada	
<b>Panel 1: Rationale and benefits of climate insurance</b>	Peter Höppe, Munich Re	Scientific and economic rationale behind insurance-related tools addressing damages associated with climate change
	Christoph Bals, Germanwatch	Design considerations in setting up insurance schemes for climate-related risks
<b>Audience Discussion</b>		
<b>Panel 2: Setting up insurance-related mechanisms</b>	Joanne Linnerooth-Bayer, IIASA	Options for using insurance mechanisms for climate-related risks
	Andrew Dlugolecki, Tyndall Centre	Role of public and private partners in insurance-related mechanisms
	Ritu Kumar, TERI-Europe	Case study: Making climate-related insurance work in India. Current experiences.
<b>Audience discussion</b>		
	Moderated by Ian Burton Panellists (as above)	Discuss specific challenges and concrete next steps with a view to using insurance-related mechanisms for climate risks in as concrete and specific terms as possible.

## Mission statement

The Munich Climate Insurance Initiative (MCII) was launched by Munich Re in April 2005 in response to the growing realisation 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 strives to fulfil four objectives:

- 1. Develop insurance-related solutions to help manage the impacts of climate change**, seeking to combine the resources and expertise of the public and private sectors.
- 2. Conduct and support pilot projects for the application of insurance-related solutions** in partnerships and through existing organisations and programmes. Identify success stories and disseminate information on the factors that are necessary to design and implement effective climate-insurance-related mechanisms. These activities will focus on developing countries but at the same time will involve evaluating insurance solutions that have been used in developed countries.
- 3. Promote insurance-related approaches in cooperation with other organisations and initiatives** within existing frameworks such as the United Nations system, international financial institutions, international donors, and the private sector.
- 4. Identify and promote loss reduction measures** in connection with climate-related events.

## Contact

The MCII was founded by representatives of Germanwatch, IIASA, Munich Re, the Potsdam Institute for Climate Impact Research (PIK), the Swiss Federal Institute of Technology (SLF), the Tyndall Centre, 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.

For more information about the MCII, or the special side event at COP 11, please contact Koko Warner at [warner@slf.ch](mailto:warner@slf.ch).

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# Munich Climate Insurance Initiative

## Mission statement

