

Opening thoughts...

11 – 12 April 2013

„Climate risk insurance & integrated climate risk
management: Developing a strategic concept for
implementation“

UN Campus Bonn, Germany

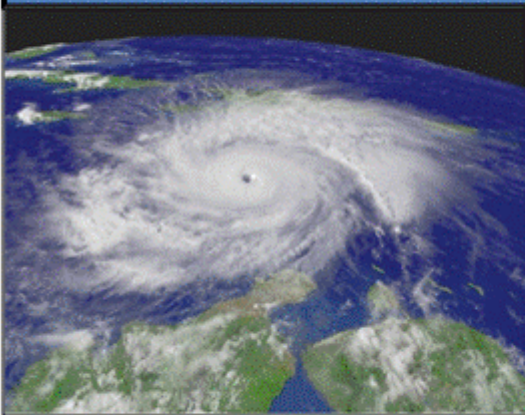
 MCII



Spectrum of climate risks



Changes in climate variability



Interactions between climate variability & climate change



Changes in regional climate systems



Damage from weather-related risk in the Caribbean: Implicit Need for risk management



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Perceived Risk Level	House damage due to flooding	House damage due to high winds	Crop/Livestock loss due to flooding	Crop/Livestock loss due to high winds	Crop/Livestock loss due to drought	Loss of customers due to storm	Loss of job due to extreme weather
At no risk	54.1	46.8	48.9	47.2	54.1	27.0	30.1
Small risk	26.0	21.8	9.5	9.9	9.6	15.9	18.1
Moderate risk	9.8	13.6	6.2	5.5	4.2	13.9	12.7
High risk	4.6	12.0	5.5	6.8	2.1	23.2	20.4
Very high risk	1.7	2.4	2.0	2.3	1.0	9.7	10.0
NOT APPLICABLE	3.8	3.4	27.9	28.3	28.9	10.4	8.6
<i>Number of Responses</i>	<i>1019</i>	<i>1017</i>	<i>955</i>	<i>955</i>	<i>954</i>	<i>994</i>	<i>989</i>

Coping Strategies in Tourism and Agriculture in the Caribbean: Survey Results (2)



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	Grenada (%)	St. Lucia (%)	Jamaica (%)	Belize (%)	Stressor Level
Insurance Payout	4.8	1.5	2.9	8.6	Low
Used Savings	45.7	96.2	65.4	34.5	Medium
Used Remittances	3.8	3.1	9.6	1.7	Medium*
Found another job	10.5	6.1	0.0	12.1	Medium
Sold possessions	1.9	1.5	0.0	13.8	High
Government Assistance	34.3	8.4	1.9	25.9	Medium*
Borrowed (informal)	7.6	10.7	16.3	13.8	Medium
Borrowed (formal)	7.6	10.7	0.0	36.2	Medium
Did not repair/replace	22.9	59.5	48.1	24.1	?High?*
Other (includes 'waiting')	9.5	0.8	51.9	6.9	?High?*
TOTAL	148.6	198.5	196.1	177.6	-

Stressor Levels from Sebstad et al. (2006).

Totals do not sum to 100% as multiple responses were allowed. High amounts over 100% indicates multiple coping strategies.

**Indicates that stressor level was not included in Sebstad et al. (2006) but inferred from other levels.*



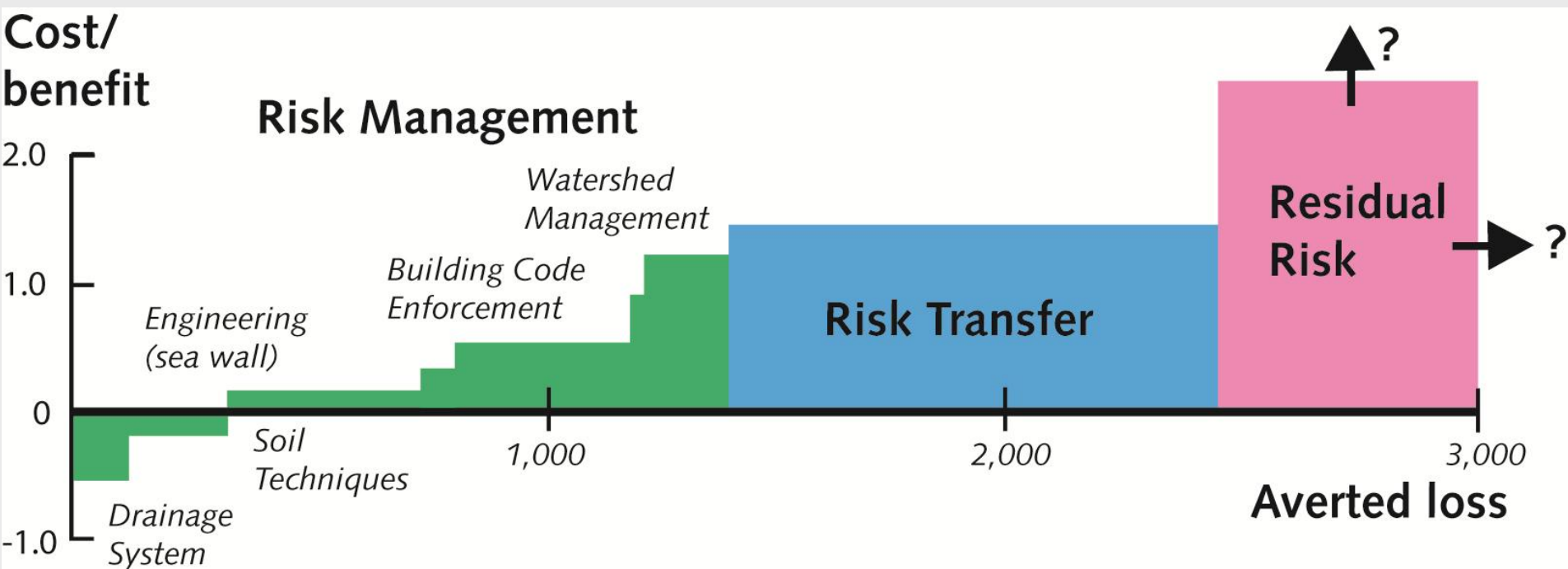
What kinds of risk management tools could be used to help people in Augustin's situation?



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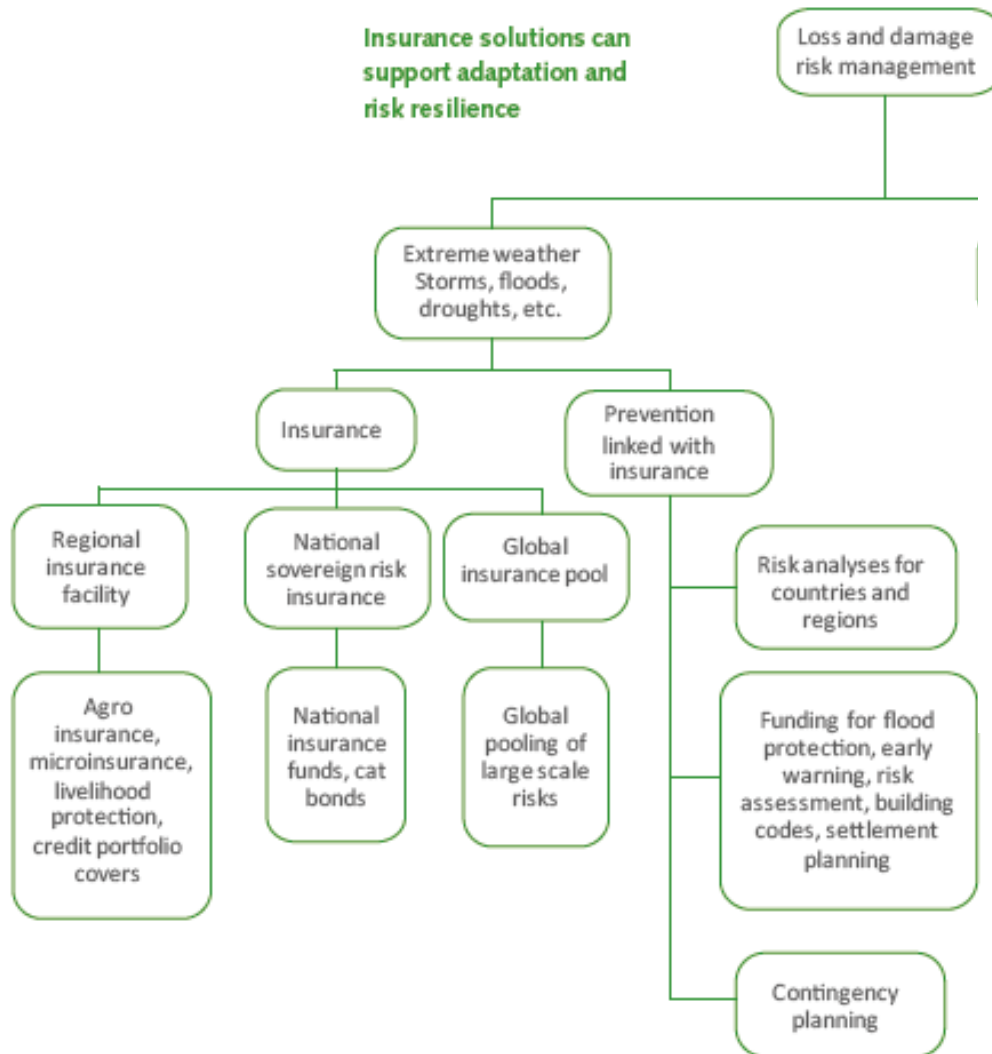
- **Risk reduction:** Group of approaches which allows a country to “self-insure” itself against climatic stressors
- **Risk retention:** Managing risk and damage from actual occurrence (particularly financial) with own means (e.g. self-financed)
- **Risk transfer** approaches help shift the – mostly financial – risks of loss and damage from one entity to another.
- **Residual risk management:** Some residual damages and losses will require the accumulation of resources and are likely best dealt with using a combination of institutional and governance approaches, management, and financial tools.

What kinds of risk management tools could be used to help people in Augustin's situation?



Which risks are insurable?

Insurance solutions can support adaptation and risk resilience



A forward look: Roles of insurance in an integrated climate risk management frame

1. Foster adaptation in a meaningful mix of approaches to manage risks
2. Assess loss and damage potential
3. Incentivise loss reduction and resilience building
4. Reduce financial repercussions of volatility & create more space for certainty in decision making
5. Provide timely finance to cover loss and damage

Possible roles of policy in facilitating insurance to address loss and damage



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Objective	Function
<p>Provide loss and damage potential assessments that support decision-making and facilitate management of weather-related risks.</p>	<p>Guide and enable assessments of loss and damage potential for extreme weather events.</p>
<p>Incentivize loss reduction and embed risk transfer into wider resilience building efforts.</p>	<p>Ensure policy coherence and appropriate use of risk transfer tools in a wider context of climate risk management.</p>
<p>Provide timely finance to cover loss and damage in order to reduce the financial repercussions of volatility related to extreme weather events.</p>	<p>Operationalize climate risk insurance including finance mechanisms and other means for implementation.</p>