

Synergies between National Climate Risk Management and Regional Risk Insurance Pools

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Lima



What gets in the way...climate risks



	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.*



Managing climatic risks from the “middle layer” MCII regional risk platforms & insurance pools



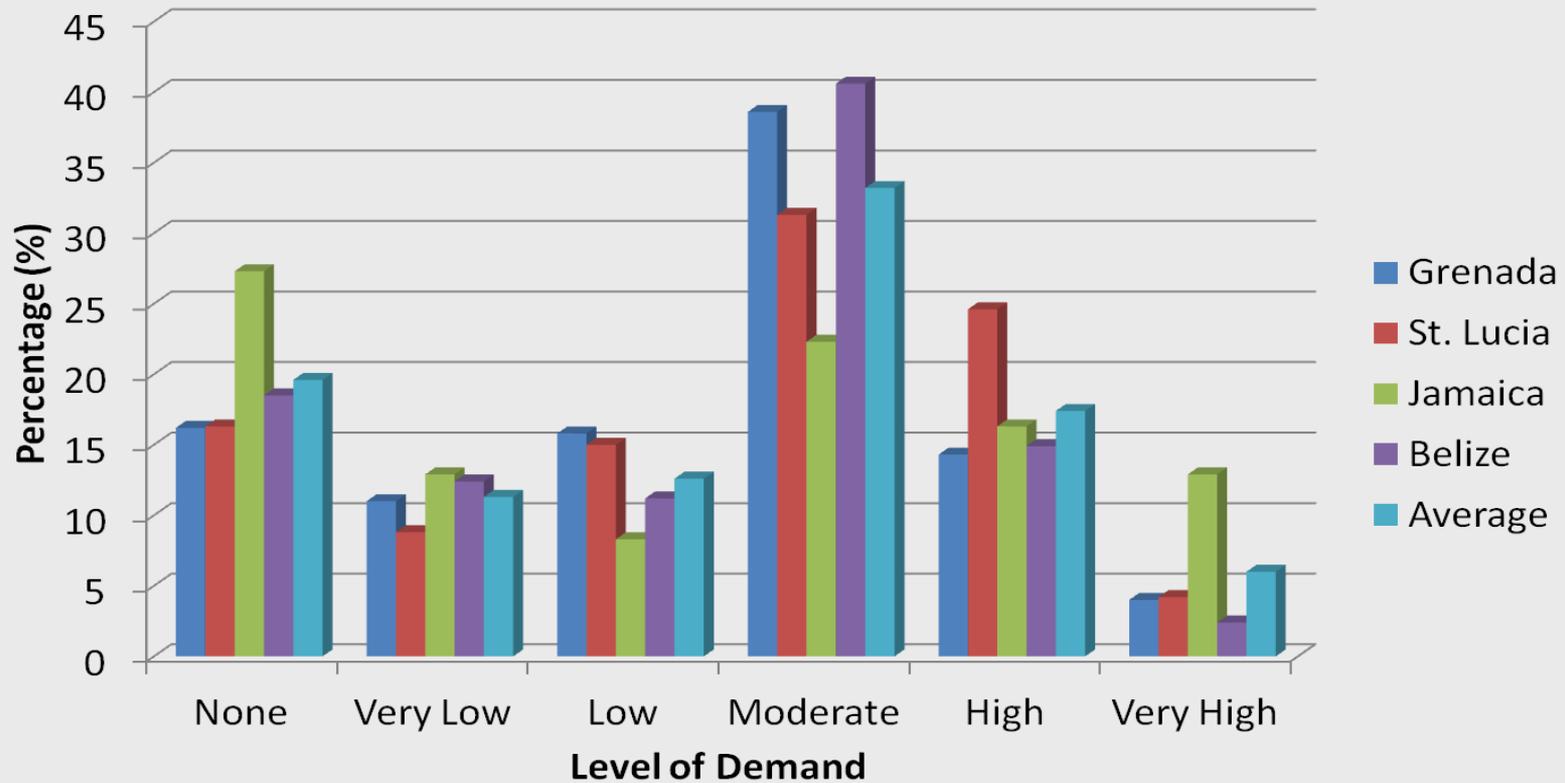
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Next steps: Use regionally-owned & driven platforms to enhance country adaptation plans & implementation

- Work with regional risk management platforms like ARC, CCRIF, PCRAFI...
- Enhance ability of countries to absorb climate finance, risk management and transfer payouts
- Enhance the ability of local markets to provide risk management services, especially to underserved people and institutions that serve them

Level of demand for insurance by country (in %)



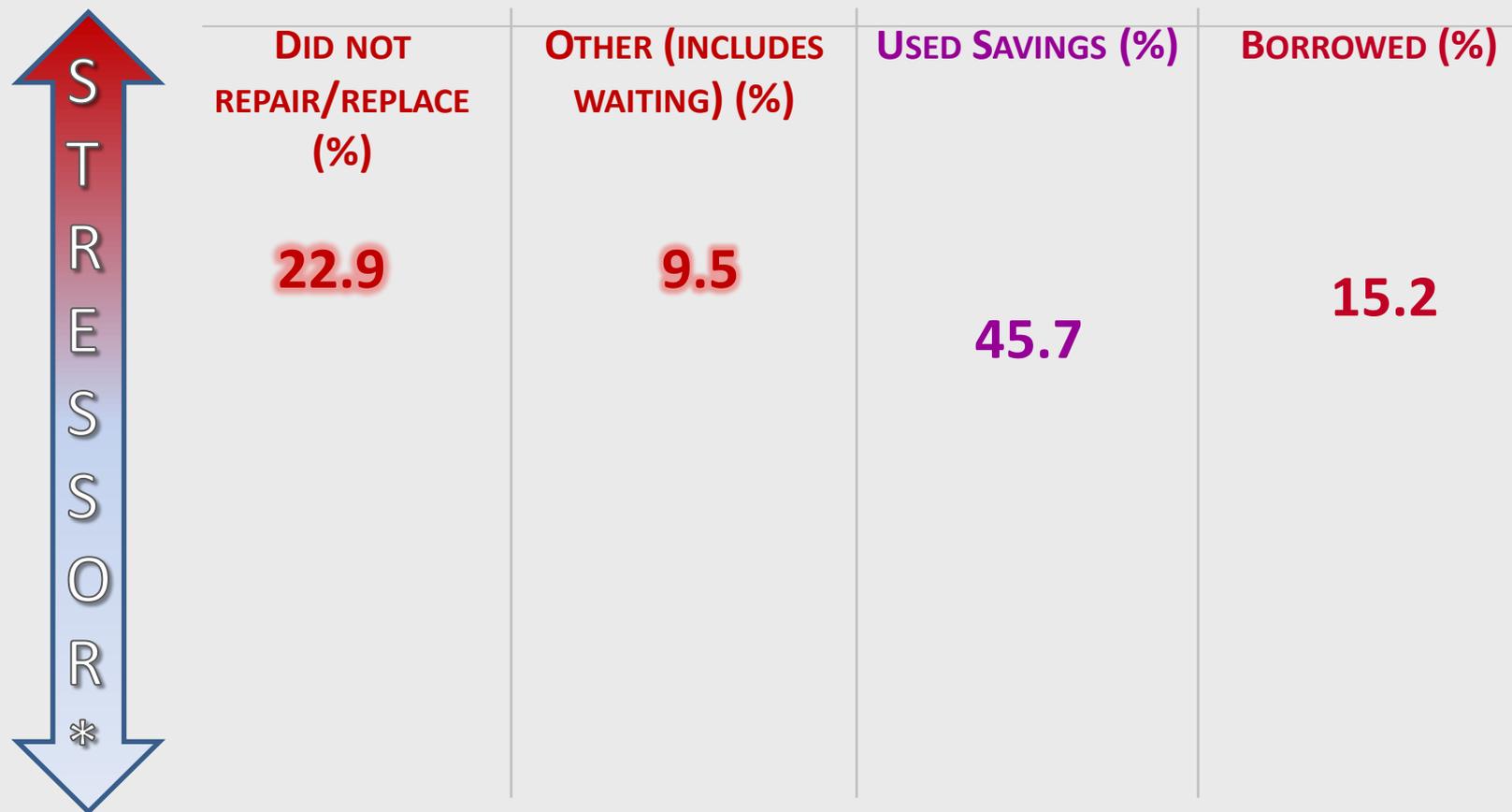
Source: Lashley and Warner 2012

Results:

Moderate demand: 33%

High to very high demand: 23%

Coping Strategies and their Impacts



*Stressor Levels from Sebstad et al. (2006)

- Coping strategies often lead vulnerable populations **deeper into poverty**
- Over the last 30 years **1.5 million affectees** of extreme weather events in the eastern Caribbean
- In Grenada, **100%** of the national population is exposed to the threats posed by extreme weather events
- Total economic damage amounted to **USD 800 million** caused by one extreme weather in 2004
- Negative impacts on **economic growth** and **productivity**

Poverty and social vulnerability are intertwined!

Climate Risk Adaptation and Insurance in the Caribbean

Project Consortium

- MCII at UNU-EHS: coordination, research, evaluation
- Caribbean Catastrophe Risk Insurance Facility
- Microensure
- Munich Re

Donor

- International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety (BMU)



Supported by:



Federal Ministry for the
Environment, Nature Conservation
and Nuclear Safety

based on a decision of the Parliament
of the Federal Republic of Germany

- Parametric weather index insurance solutions for low-income people
- Extend the financial safety net to previously excluded persons
- Find ways to catalyse sustainable adaptation to climate change



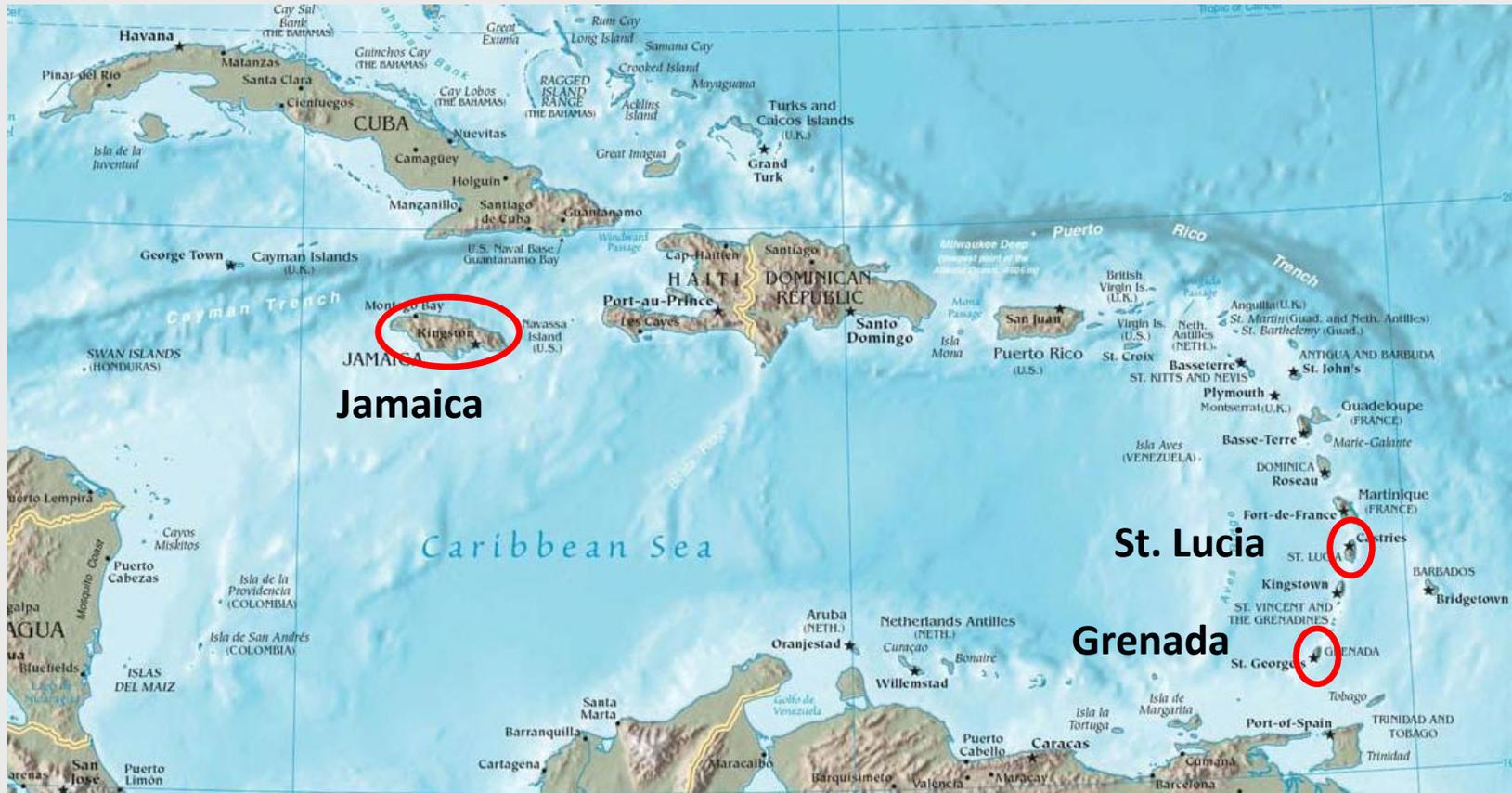
MCII CLIMATE RISK INSURANCE IN THE CARIBBEAN

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Target Countries



Demand Study 2011

1. What coping strategies did low-income populations employ?
2. Was there a demand for risk transfer solutions?
3. Were they willing to pay?
4. How will the solutions be distributed?



Livelihood Protection Policy

- Parametric product: Dual peril - wind-speed, rain
- Beneficiaries: Individuals
- Beneficiaries determine the level of coverage they require - product sold in units
- Effect: Provides liquidity to individuals in the aftermath of extreme weather events to protect livelihoods

Livelihood Resilience

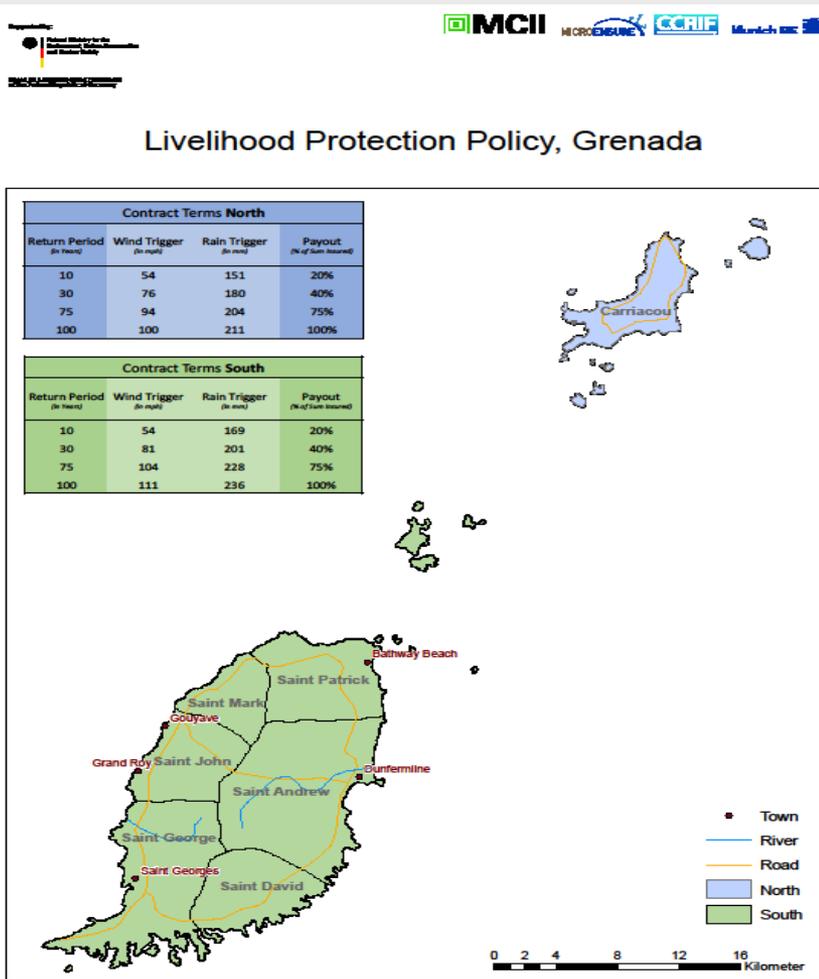
- Protects individuals against weather extremes, climate shocks
- Provides recourse to coping strategies that could lead to poverty
- Improves access to credit, leading to financial stability in the long run
- Encourages behaviour shift from risk neutral to risk aware

Financial Resilience

Why is it important for agriculture?

- Increasing resilience of farmers against weather extremes, climate shocks reduces food insecurity, crop losses
- Accumulated losses from small scale, highly frequent, localized disasters undermine local development and competitiveness
- Improve access to credit, financial stability
- Encourage risk aware behaviour

Weather Index Insurance: How it works



- Spatial Resolution of the target country
- Wind speed and Rainfall
- Correlation analysis for wind, rain

Trigger and payout structure of the Livelihood Protection Policy



Antoine's story

HOW LPP COULD HAVE HELPED ANTOINE

- **Before the hurricane** Antoine receives an SMS warning of an approaching hurricane. He secures his property and leads his family to a safe location.
- **Immediately after** As he was able to secure his property only one greenhouse is lost. The hurricane exceeded the rainfall/wind speed threshold, so Antoine gets an SMS telling him he will receive a payout within 30 days.
- **Medium-term** With the payout deposited in his bank account Antoine can repay his loan and start rebuilding his livelihood without resorting to more desperate coping measures.
- **Long-term** Antoine is able to both repay his loan and rebuild the lost greenhouses with the payout he receives from his policy. This puts him and his family in a better position for when another hurricane inevitably strikes.

Thank you!



“I had full confidence in the product and EC Global Insurance. I think it is very important to have some form of insurance as a honey producer, given the current climatic conditions we face.

During the trough we experienced a high level of rainfall. I received the SMS notification of the trigger and the payment was received in the time promised. I am extremely happy that there is a payout and it is assisting”.

Walter Edwin
St Lucia Honey Producers’ Association