

How to make insurance work for the most vulnerable: Seven guiding principles

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The potential of climate risk insurance



CONTRIBU	DETERMINANTS OF RESILIENCE		
CATALYZING	Risk assessment	ANTICIPATE	
PROTECTING	 Improving financial liquidity after a disaster Reducing distress asset sales Increasing food security Enabling rapid recovery 	ABSORB	
PROMOTING	 Increasing savings Increasing productivity & investment in higher return activities Improving credit worthiness 	ADAPT	
SPURRING TRANSFORMATION	 Incentivizing risk reduction behavior Fostering a culture of prevention-focused risk management 		

Source: MCII Research Report 2016: Climate Risk Insurance for the Poor and Vulnerable

The role of insurance in comprehensive risk management



STEP1	RISK IDENTIFICATION AND ASSESSMENT	$\frac{1}{2}$	Risk identification (e.g. risk mapping); risk assessment (modelling hazard behavior and modelling asset vulnerability)
STEP2	RISK PREVENTION AND REDUCTION	<u>\</u>	Preventing and reducing the probability of events and exposure (e.g. building codes, land use planning) and vulnerabilities (health improvements, access to services, livelihood diversification)
STEP3	PREPAREDNESS	\ <u></u>	Early warning system, pre-positioning emer- gency response equipment, evacuation plans, and contingency planning
STEP4	ADDRESSING RESIDUAL RISK WITH FINANCIAL METHODS	<u>\</u>	Transferring, pooling, sharing risk, risk retention
STEP5	RESILIENT RECOVERY	\rangle	Resilient recovery and reconstruction policies, disaster resistant reconstruction

Source: Modified from World Bank (2015)

MCII's Pro-Poor Principles for Climate Risk Insurance





Source: MCII Research Report 2016: Climate Risk Insurance for the Poor and Vulnerable



Thank you for your attention!

Questions?

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