



Intervention by the Munich Climate Insurance Initiative

during the Special event by the presidencies on issues related to the Warsaw International Mechanism for Loss and Damage in the lead up to, and beyond COP 22

Tuesday May 24th

Thank you for the opportunity to provide an input during this event.

While Paris has been a success by politically acknowledging the risk of climate change especially if global mean temperature exceeds 1.5 degrees, the current level of domestic targets would result in much higher global warming. This emission gap directly translates into a climate risk gap resulting in loss and damage for people and ecosystems.

Climate risk insurance can help manage loss and damage from weather extremes in ways that bolster rather than diminish efforts to achieve climate resilient development. Prudently employing a combination of insurance-like approaches with risk reduction measures creates a space of reduced societal disruption when extreme weather events happen. Thereby, insurance and risk sharing can function as social mechanism to deal with risks.

Insurance is a feasible measure to address extreme weather events, however no silver bullet and not appropriate or generally feasible for slowly developing and foreseeable events or processes that happen with high certainty under different climate change scenarios.

Recognizing these limitations, insurance tools can play a critical role in reducing the effects of weather variability and extremes on national economies and in providing security for investments as an important precondition to escape poverty.

However, insurance is hardly available for poor people in vulnerable developing countries. Data show that less than 1% of losses due to natural catastrophes in lower middle and low income countries were covered by insurance. This means that about 99% of catastrophe losses have been borne by individuals, firms and governments.

2015 had seen a lot of political momentum behind the topic of climate risk insurance. In the last years innovative schemes and approaches were established. The next 5 years are crucial to advance the idea of climate risk insurance and the Warsaw Mechanism could play a big role in that.

MCII pioneers concepts through its extensive expert network - advocating for new ways of applying insurance to complement risk management and adaptation. It thereby provides an interface to actors working on comprehensive climate risk management, including the insurance industry and associated sectors. MCII recently developed principles to make insurance work for poor and vulnerable people and countries which will be published end of June and could be used as guiding

principles for effectively implementing climate risk insurance approaches. MCII is happy to bring this work to the action areas contained in article 8.3 and action area 2 of the WIM.

Regarding the risk transfer clearing house

MCII has been actively engaged in the recent work of the ExCom concerning Paris decision Para 49, the establishment of a clearinghouse for risk transfer. The private sector is eager to bring in a wealth of knowledge around the whole risk management cycle and concrete approaches to implement climate risk insurance we could learn from.

However, the private sector also expects that the clearinghouse meaningfully facilitates information sharing. And that beyond that, the clearinghouse provides a networking space and enables collaboration as well as provides an interface for information on systematic advisory & support.

Concerning the 5 year workplan - Action Area 9 of the 2 years workplan

The Executive Committee of the Warsaw International Mechanism (WIM) has the opportunity to catalyse efforts of countries to develop and implement comprehensive climate risk management approaches. The Clearinghouse, if implemented successfully, is a good first step to facilitate support for countries in implementing climate risk insurance solutions within comprehensive risk management strategies.

From a climate insurance perspective, the 5 year workplan of the WIM should more broadly cover all the core functions of the WIM from 2/CP 19, for example:

1. The WIM could enhance the understanding on how climate risk insurance can be part of comprehensive risk management approaches in building long-term resilience of countries, vulnerable populations and communities
2. Furthermore, the WIM could ensure policy coherence, coordination and appropriate use of risk transfer tools in a wider context of climate risk management, acknowledging the limits of climate risk insurance as a tool.

Thank you for the opportunity to provide this input today. We will further engage in the proceedings of the ExCom and we stand ready as you prepare for COP 22.