



InsuResilience

The G7 Climate Risk Insurance Initiative

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Overview

- 1) The challenge
- 2) The approach
- 3) Key features of InsuResilience
 - Objective
 - Commitments
 - Components
- 4) Recent developments & next steps



June 2015



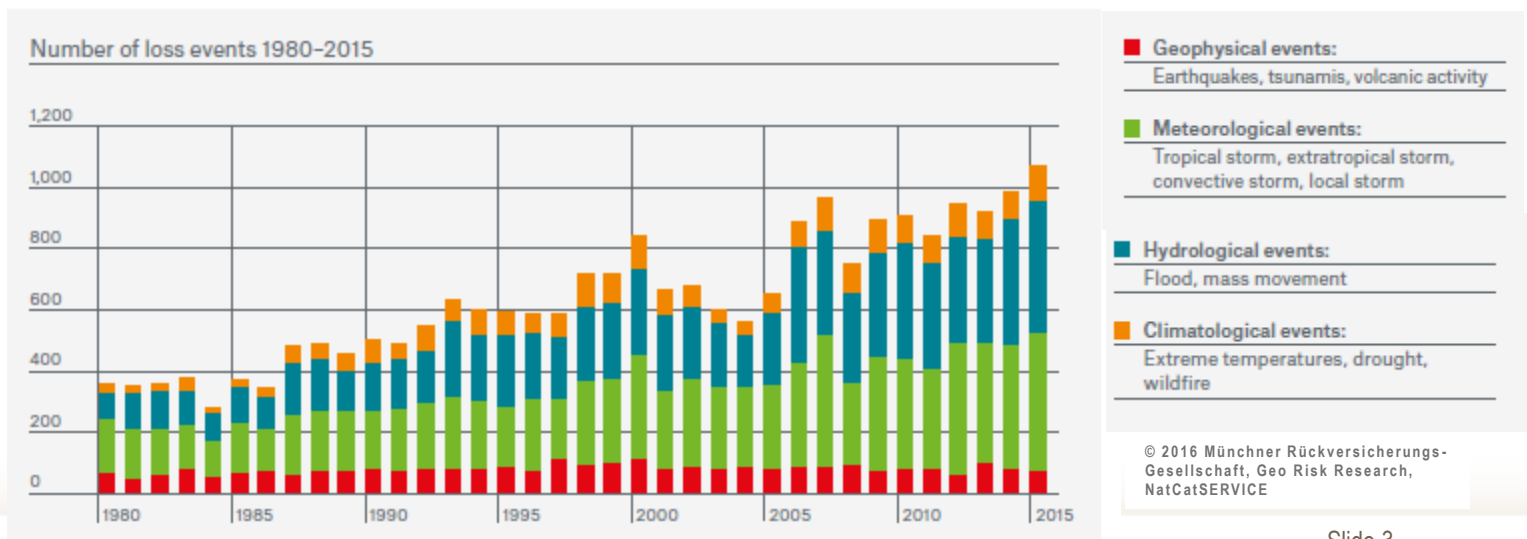
G7 GERMANY
2015 | Schloss Elmau



The challenge

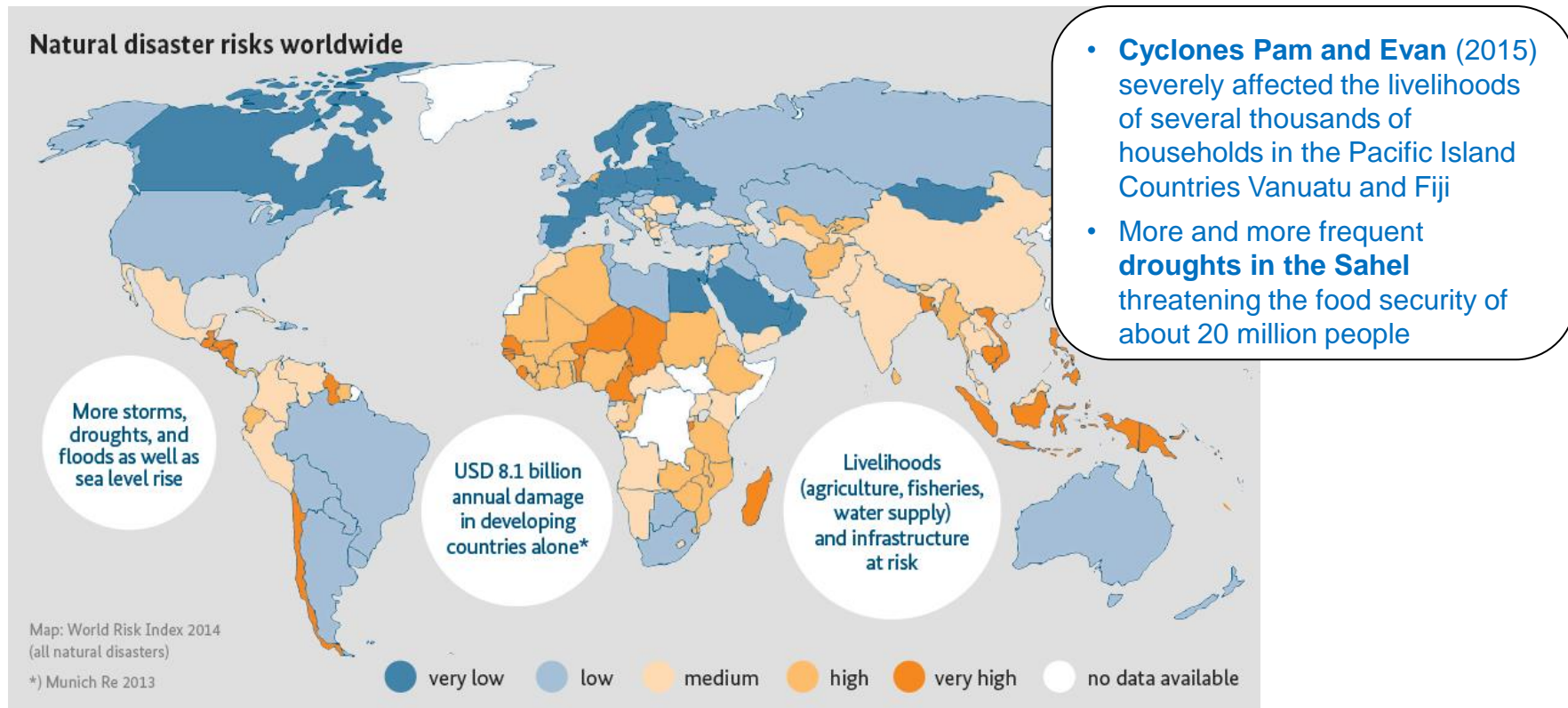
- Extreme weather events **are increasing** in their frequency and intensity, globally.
- **Economic losses** from weather-related disasters in developing countries amounted to **USD 8.1 billion** over the past decade.
- **Non-economic losses** such as the loss of lives, livelihoods or ecosystems further aggravate the situation.
- The **poor** and **vulnerable** suffer the most: **310 million people** in developing countries suffered from impacts of climate-related disasters in the last 4 years.

Source: BMZ (2015)





The challenge: Natural disaster risk



Despite these significant risks, the coverage of developing countries by climate risk insurances remains low



The Paris Agreement (UNFCCC COP 21)

Increased focus to keep global temperature rise well below 2°C

..but...INDCs will (so far) not be enough to keep global temperature below 2°C – which in turn calls **for even more pronounced action in adaptation and risk management**





The approach

It is important to deal with climate risks through **various types of actions**:

- **Mitigation** of greenhouse gas emissions reduce the magnitude of climate change.
- **Adaptation/Risk Reduction/Comprehensive climate risk management** can reduce the negative impacts from climate change.



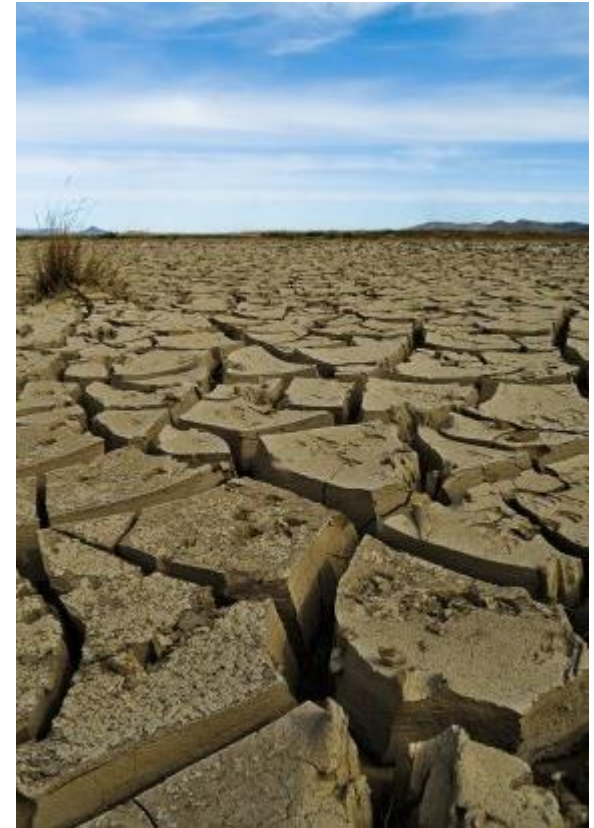
But RESIDUAL RISK remains!

- **Residual risks** (after risk reduction) call for **risk transfer** approaches to build resilience
- **Risk transfer** is one way of dealing with these residual risks:
 - **Climate risk insurance schemes** thus form an important part of a comprehensive climate risk management approach.



Climate Risk Insurance can:

- Incentivize climate change adaptation and disaster risk reduction (e.g., risk mapping, EWS, building codes)
- Safeguard local risk management approaches
- Facilitate risk management and risk reduction policies (which reduce premiums)
- Facilitate contingency planning (e.g., the Africa Risk Capacity (ARC) requires member states to develop such contingency plans to guarantee immediate action after the pay-outs).





Egypt: Climate Change Risks - agricultural sector:

- Vulnerability of water resources depends on **Nile flows, rainwater and ground water**.
- Productivity of two major crops will be reduced (2050: by 15% wheat and 19% maize) due to frequent **temperature increase, irrigation water deficit and pest and plant disease**.
- 12-15% of most fertile arable land in Nile Delta is affected by **SLR** and salt water intrusion





Egypt: Climate Change Risks - agricultural sector (cont.):

Egypt's Intended Actions to Promote Resilience: Agricultural Security

- Changing sowing dates and good management practices
- Cultivars that are more tolerant to heat, salinity and pest; changing crop pattern
- Applying multi-level combinations of surface and deficit irrigation

Policy:

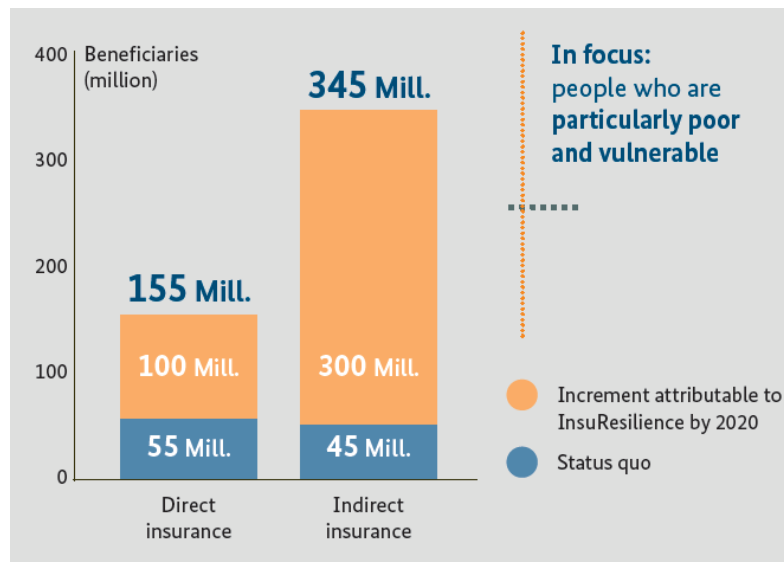
- There is a dire need for further studies on the impacts and adaptation to climate change.
- Resulting adaptation strategies can overcome barriers in implementing adaptation measures.
- Barriers include:
 - limited scientific information and strategic visions
 - lack of financial support

Source: UNFCCC, Egyptian INDC (November 2015)



InsuResilience – Objective

- “We will aim to **increase by up to 400 million** the number of people in the most vulnerable developing countries who have **access to direct or indirect insurance coverage** against the negative impacts of climate change related hazards **by 2020**”
(G7 Elmau Leaders’ Declaration, 8 June 2015).
- **Collaboration** with partners from public and private sectors as well as civil society to reach this objective.



Source: BMZ (2015)



InsuResilience – Commitments

- At COP21, the G7 communicated the '**Joint Statement on InsuResilience – The Initiative on Climate Risk Insurance**':
 - Reaffirmed objective from Elmau Leaders' Declaration;
 - Recognized importance of synergies between climate risk reduction and insurance action;
 - Pledged **USD 420 million** of public funds for a **rapid action package**;
 - Declared intention to mobilize additional funding from private sources.
- The rapid action package will enable insuring at least **180 million people** against climate risks.

Joint Statement on
InsuResilience
The Initiative on Climate Risk Insurance

To be communicated to the public on December 5, 2015 at the
InsuResilience Event at UNFCCC COP21, 12:00 to 1:00 p.m., German Pavilion

We welcome, reaffirm, and support the commitment made by the G7 in Elmau (Germany) in June 2015:

"We will intensify our support particularly for vulnerable countries' own efforts to manage climate change related disaster risk and to build resilience. We will aim to increase by up to 400 million the number of people in the most vulnerable developing countries who have access to direct or indirect insurance coverage against the negative impact of climate change related hazards by 2020 and support the development of early warning systems in the most vulnerable countries. To do so we will learn from and build on already existing risk insurance facilities such as the African Risk Capacity, the Caribbean Catastrophe Risk Insurance Facility and other efforts to develop insurance solutions and markets in vulnerable regions, including in small islands developing states, Africa, Asia and Pacific, Latin America and the Caribbean."

We also welcome the launch during COP21 of the CREWS initiative, which aims to extend the cover of climate risk and information early warning systems to all SIDS, LDCs and Africa (more than 80 countries and about 1 billion people) by 2020. We recognize the importance of synergies between climate risk prevention and insurance action.

Developed countries jointly committed to a goal of mobilizing 100 billion USD a year by 2020 from a wide variety of sources, in the context of meaningful mitigation actions and transparency on implementation. We intend to provide funding for climate risk insurance with the view to strengthening resilience to climate change in vulnerable countries. In terms of the rapid action package launched today, G7 members demonstrate an intention to provide 420 million USD of public funds through bilateral and multilateral co-operation and are working towards mobilizing additional funding from private sources. We welcome the contributions from other countries interested in supporting people in the most vulnerable developing countries to gain access to climate risk insurance. We intend to ensure synergies between climate risk mitigation and insurance action as well as to build in incentives for preparedness/resilience in the design of insurance solutions.

We estimate that the rapid action package launched today will enable risk insurance coverage of at least 180 million additional people.

This is an important first step in meeting the G7 goal of enabling coverage of 400 million additional people by 2020. This initial support for rapid implementation will enable swift action towards meeting the G7 Leaders' goal of reaching 400 million people with insurance cover in



InsuResilience – Components (1)

- To achieve its objective, InsuResilience builds on **two components**:

1. Boosting
indirect
insurance

2. Developing
and promoting
direct insurance

1) Boosting indirect insurance

Indirect schemes insure intermediaries like municipalities or national governments, which coordinate pay-outs to the affected population.

- In the short term, focus lies on expanding and capitalizing **already existing indirect insurance facilities and initiatives**, e.g.:
 - African Risk Capacity (ARC)
 - Pacific Catastrophe Risk Assessment & Financing Initiative (PCRAFI)
 - Caribbean and Central American Catastrophe Risk Insurance Facility (CCRIF)
- Additional funding will be used for **expanding insurance products** (i.e. additional hazards like tropical storms) and **increasing number of countries covered**.



InsuResilience – Components (2)

1. Boosting
indirect
insurance

2. Developing
and promoting
direct insurance



2) Developing and promoting direct insurance

Individual insurance policy holders such as farmer households and small businesses receive direct pay-outs.

- In the medium and long term, InsuResilience will put stronger focus on **direct insurance schemes**.
- Close cooperation with **private sector** is a key success factor for sustainable direct insurance schemes.
 - Provides risk capital, knowledge & data, and technologies (e.g. remote sensing).
- InsuResilience strives to **reduce market barriers** for private sector engagement



InsuResilience – Components (2)

For example:

Agriculture and Climate Risk Enterprise (**ACRE**) is the largest agricultural insurance programme in sub-Saharan Africa, specializing exclusively in crop insurance with the mission to managing farmer's risk and insuring sustainability.

- Largest index insurance programme in developing world where farmers pay a market premium.
- Cover: crop insurance as well as biotech yield insurance (BYI).
- Households, individuals receive insurance payout.
- First agricultural insurance programme worldwide to reach smallholders using mobile technologies (distribution channels--mobile banking with over 19.3 million users for premiums and payouts)
- Mobile banking also supports easy registration and tracking of individual clients, and lowers transaction and delivery costs.
- Product development: ACRE has built on links with lending institutions and input providers, and demonstrates that innovative technology solutions can contribute to scale in smallholder agricultural insurance.
- 285.000 policies sold in three east African countries



Recent developments & next steps

Selected milestones for 2016 (already under preparation)

- Implementing the **rapid action measures**.
- Developing a **M&E framework**.
- Conducting a “**pro-poor study**” on how to reach the target group most effectively
- Establishing a **Secretariat**.
- Agreeing on a **structure for stakeholder participation**.



Shokran

Thank you very much
for your attention

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InsuResilience – Components (1)

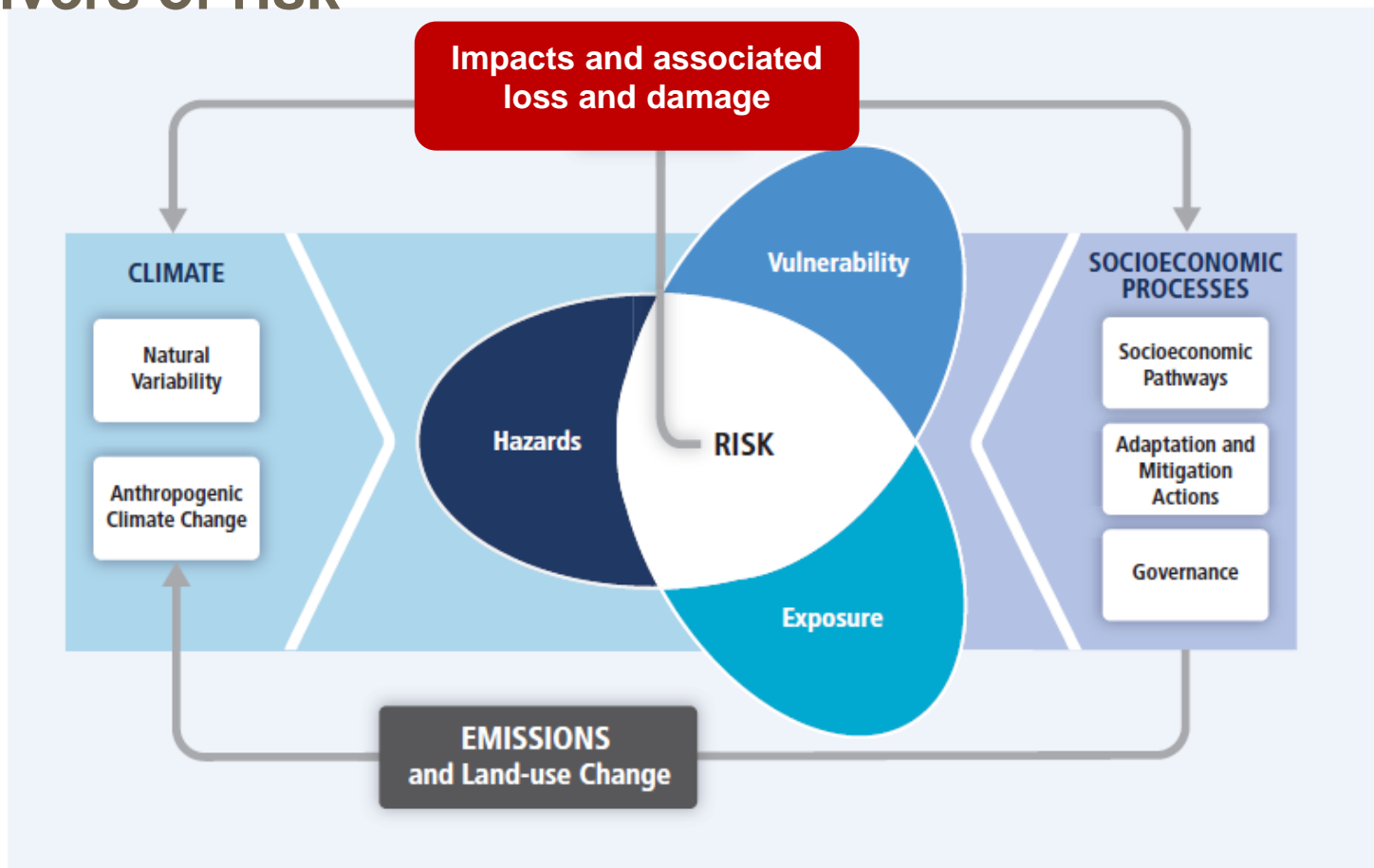
Example- The African Risk Capacity (ARC)

- Established to reduce the burden of droughts for African governments.
- 13 countries have signed Memoranda of Understanding with ARC, and are benefitting from ARC's early warning and modelling platform as well as capacity building measures
- 7 of these countries (Niger, Mauretania, Kenya, Senegal, Mali, the Gambia and Malawi) are currently covered with insurance provided by ARC
- In 2014, Mauretania, Niger and Senegal received the first pay-outs after a drought hit the Sahel region
- The funds have been used for food distributions, conditional cash transfers, and subsidised sales of animal feed.
- Over 1.3 million people benefited from the pay-outs and about 600.000 cattle – a major asset for people in that region – were saved from starvation.





The climate system and socioeconomic processes are drivers of risk



Source: Adjusted from IPCC (2014; Working Group II Contribution to AR5)