

# Insuring the Uninsurable

On the Move to a Public-Private Climate Insurance?

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# Why a Climate Insurance Policy for the Non-Insurable?

- *Time*: time for ‚mitigation-only strategy‘ is over because of the visible increase in hydro-meteorological disasters
- *Equity* : the enlarging equity gap between green-house gas emitters and climate victims
- *Strategy*: strong commitment of industrialized countries to reduce greenhouse gas emissions and to support the disaster management cycle could lay the basis for a meaningful participation of developing countries

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# The Global Climate Change Paradox

- The poor in developing countries have the least to do with global climate change; therefore they have the most to do with global climate change
- The poor in developing countries have contributed the least to Global Climate Change
- They are the people most effected by global climate change

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# UNFCCC, Kyoto and Insurance

- a) 1991 AOSIS proposal regarding sea level rise
- b) Convention text - Articles 4.8, 4.9
- c) Kyoto Protocol text – Article 3.14
- d) Negotiations on the insurance issue under these articles
- e) Relevant decisions
- f) Submissions from parties
- g) UNFCCC workshops (May, Iran)

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# Insurance for the Non-Insurable?

A large proportion of the uninsured losses take place in developing countries where national, community and individual capacity to absorb these losses is much lower.

Last decade: people affected by weather-related disasters has quadrupled; relative to global population size: doubled;

In low income countries only about 1% of disaster losses are insured (WWC 2003).

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# Some Problems

- *modest purchase power*
- *in DC: difficult to calculate risk*
- *difficulties of public authorities to finance their liabilities, ie infrastructure repair and victim relief*
- *use of credits for infrastructure ( e.g. Mexico: 30/35% of WB loans in 90s was used for rehabilitation from natural disasters) to finance catastrophe relief*
- *no incentive system for more adaptation*

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”Intensify co-operation to reduce the number and effects of natural and man-made disasters”

*United Nations Millennium Declaration*

- *Can a public private climate insurance scheme play an important role in such a strategy?*

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## *Can insurance ...*

*... create an incentive to reduce emissions ?*

- Polluter Pays Principle

*... set an incentive to increase adaptation capacity?*

- Requirements to pay a portion of the losses themselves
- Honouring preparedness measures by policyholder
- Index-based insurance (area-yield, rainfall or soil moisture indexes)

*... insure the uninsurable?*

- Microinsurance plus “reinsurance”
- Polluter subsidised insurance if participation in disaster preparedness (e.g. Diversification or Building for Safety Options for Low Income Housing in Flood Prone Areas in Bangldsh)
- Group based insurance programmes

*... create an incentive, that infrastructure loans are really used for infrastructure?*

- Financial participation of World Bank and Dev. Banks