Integrated Climate Risk Management and the role of Insurance

Climate Risk Management / Insurances

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Integrated Climate Risk Management and the role of Insurance
The Advancing Climate Risk Insurance Project
The case of SMEs in Morocco
Key take-home messages

1. **Smart-mix approach: promoting comprehensive climate risk management**
   “In certain cases, climate insurance can help address residual risk”

2. **ICRM: ACRI+ aims at quantifying the potential of climate insurance within an integrated climate risk management approach**
   “Beyond adaptation measures, ACRI+ strives to demonstrate the potential of insurance for SMEs”

3. **Climate insurance can be quantified at the SME level including its value chain**
   “Using the ECA approach monetary value can be assigned to different assets of the value chain including vulnerable employees”
Insurance Options for Adaptation and Resilience

Insurance solutions can support adaptation and risk resilience

Extreme weather: Storms, floods, droughts, etc.

- Insurance
  - Regional insurance facility
    - Agro insurance, microinsurance, livelihood protection, credit portfolio covers
  - National sovereign risk insurance
  - Global insurance pool
    - Global pooling of large-scale risks

Prevention linked with insurance

Risk analyses for countries and regions

- Funding for flood protection, early warning, risk assessment, building codes, settlement planning
- Contingency planning

Loss and damage risk management

- Desertification
- Sea level rise
- Ocean acidification
- Glacial retreat

Funds for irrigation systems, drought-resistant species, relocation of population

Funds for flood protection measures, relocation of population

Compensation for losses by fisheries in poor countries

Funds for water retention systems, flood control, investments in alternative irrigation techniques

Insurance not “first best” tool for foreseeable phenomena. Other risk management mechanisms necessary

Source: MCII (2012)
Risk Layering in Climate Risk Management

Source: MCII and GIZ, own design, elaborated from World Bank (2011)
Integrating Risk Transfer at the SME Level

Source: KfW/UNU-EHS (2016)
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A joint project between GIZ and MCII