



Munich Climate Insurance Initiative (MCII)

www.climate-insurance.org

Mission statement

The Munich Climate Insurance Initiative (MCII) was launched by Munich Re in April 2005 in response to the growing realisation that insurance-related solutions can support the adaptation to climate change advocated in the Framework Convention and Kyoto Protocol. This initiative brings together insurers, experts on climate change and adaptation, NGOs and policy researchers intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering point for insurance-related expertise on climate-change impact issues.

MCII strives to fulfil four objectives:

1. **To facilitate insurance-related solutions to help deal with the impact of climate change** using the combined resources and expertise of the public and private sectors;
2. **To conduct and support pilot projects for the application of insurance-related solutions** in partnerships and through existing organisations and programmes. To identify success stories and disseminate information on the factors necessary to design and implement effective climate insurance-related mechanisms. These activities will focus on developing countries but will at the same time involve the evaluation of insurance solutions that have been used in developed countries;
3. **To promote insurance-related approaches in cooperation with other organisations and initiatives** and within existing frameworks such as the United Nations, international financial institutions, international donors and the private sector;
4. **To identify and promote loss-reduction measures** for tackling climate-related events.

MCII was founded by representatives of Germanwatch, IIASA, Munich Re, the Munich Re Foundation, the Potsdam Institute for Climate Impact Research (PIK), the Swiss Federal Institute of Technology (SLF), TERI, the Tyndall Centre, the United Nations University Institute for Environment and Human Security (UNU-EHS), the World Bank, and independent experts. The group is open to new members, e.g. representatives of other insurance or reinsurance companies, climate change and adaptation experts, NGOs and policy researchers seeking solutions to the risks posed by climate change.

Rationale

Climate change and rising weather-related disasters. In recent years, there have been more and more indications that climatic change is influencing the frequency and intensity of natural catastrophes. According to the World Meteorological Organization (WMO), the last five years (2001 to 2005) were among the six warmest recorded worldwide since 1861. A study performed by MIT and published by K. Emanuel shows that, since the 1970s, major tropical storms both in the Atlantic and Pacific regions have increased in duration and intensity by about 50 per cent.¹ Due to anthropogenic global warming, sea surface temperatures have already increased in all major ocean basins by 0.5°C².

The year 2005 set a record for hurricanes in the North Atlantic: never before since records have been kept (1850) have so many named tropical storms (27 compared with the previous record of 21) and hurricanes (15 as against the previous 12) developed in one season. The strongest, Wilma, fourth strongest, Rita, and sixth strongest, Katrina, were recorded in just one season.

If global scientific climate models are accurate, the present problems will be magnified in the near future. These models suggest that we should expect

- an increase in the frequency and severity of heat waves, droughts, bush fires, tropical and extra-tropical cyclones, tornados, hailstorms, floods and storm surges in many parts of the world;

¹ Emanuel, K., Increasing destructiveness of tropical cyclones over the past 30 years. *Nature* 436, 686-688, 2005.

² Barnett et al., *Science* 2005; Santer et al., *PNAS*, Sept. 2006.

- new exposures (such as hurricanes in the South or Northeast Atlantic);
- more extensive damage and economic, social and environmental consequences as a result of weather-related disasters.

Changes in many atmospheric processes will profoundly impact the lives, health, and property of millions of people. Of special concern is the fact that the impact of climate change will be most acutely felt among the world's poorest people. To date, this vulnerable group has also had the least access to affordable insurance.

The decisive question: What strategies will help us adapt to climate change?

The key issue today is not when we will have ultimate proof of anthropogenic climate change – a small element of uncertainty will remain for some time – but what strategies we should follow to mitigate and adapt to climate change. Insurance-related mechanisms can be an effective part of adaptation strategies. They can counteract the negative effects of global warming and reduce the financial risks of the increasing number of natural catastrophes.

As the frequency and scope of major natural catastrophe losses, especially tropical storms, continue to increase, there is a growing need to explore other avenues for managing and transferring the risks associated with climate change. Market insurance and risk transfer solutions – climate insurance – can play their part in enabling disaster-prone countries to successfully manage the new climate risks looming on the horizon. MCII believes that insurance mechanisms can play a useful role in a wider adaptation approach in the post-2012 agreement.

Contact

For more information about the MCII or the September 2008 submission for Poznan on insurance and climate adaptation, please visit our website at www.climate-insurance.org or contact warner@ehs.unu.edu.

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