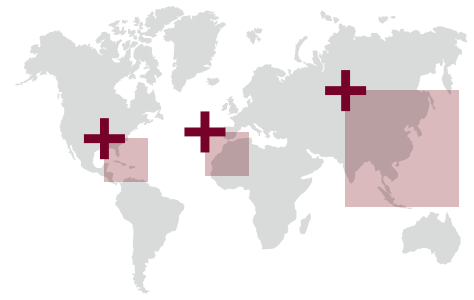


ACRI+ Advancing Climate Risk Insurance plus



AT A GLANCE

Name

Advancing Climate Risk Insurance plus (ACRI+)

Duration

October 2015 – June 2019

Focus area

Barbados, China, and Morocco

Target group

The project worked closely together with government authorities, the private sector, universities, and other NGOs. The project focused on the renewable energy sector in Barbados, the urban resilience sector in China, and the Micro, Small, and Medium-sized Enterprises (MSMEs) sector in Morocco.

Funds available

ACRI+ is part of the project “Promotion of Integrated Approaches on Climate Risk Management and Transfer” (ICRM). These projects are part of the International Climate Initiative (IKI),

which is supported by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

The project is jointly implemented by ...

the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) and the Munich Climate Insurance Initiative (MCII), which is a leading innovation laboratory on climate change and insurance.

The overall aim of the project is ...

to increase resilience to extreme weather events by devising on an integrated climate risk management approach that includes insurance. The ACRI+ project worked to collect the experiences and best practices from different organizations across the globe and promote these findings at international conferences and workshops, as well as on their online database “Climate Insurance”. Lastly, the project developed a Toolbox for climate risk transfer for the agricultural sector, which will help guide government officials and other practitioners in applying an integrated climate risk management approach to their country, city, or sector.



On behalf of:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

of the Federal Republic of Germany



BACKGROUND

In 2018, 850 destructive natural disasters around the world that claimed human lives, caused severe destruction, and massive amounts of economic loss. Making 2018 the fourth-costliest year since 1980 in terms of insured losses.¹ The amount of loss and damage caused by extreme climate and weather events has significantly increased over the past few decades. As a result, governments, businesses, and individuals are looking for innovative ways to better protect themselves.

In this context, the topic of Climate and Disaster Risk Management (DRM) has gained importance on international agendas and in many organizations. For example:

- the Framework Convention on Climate Change (UNFCCC)
- the Paris Climate Agreement
- the Sendai Framework for Disaster Risk Reduction 2015–2030
- the Agenda 2030 for Sustainable Development

The main idea behind DRM is to focus on managing the risks that turn hazards into disasters.

Moreover, the importance of suitable and sustainable access to direct and indirect insurance coverage against the impacts of climate change has increased in recent year. This is reflected in the G7 Initiative on Climate Risk Insurance adopted at the G7 Summit in Germany. In July 2017, insurance was included in the Climate and Energy Action Plan for Growth by the G20.

OUR APPROACH

Traditionally, DRM approaches focus on “Prevention”, “Preparedness”, “Response”, and “Recovery” phases. This approach, however, was missing an important phase: “Retention & Transfer”. This phase refers to the fact that even when all the necessary steps in the traditional phases have been taken, some amount of residual risk still remains. In addition, adverse effects of climate change pose new forms of risks that are currently difficult to predict.

The Integrated Climate Risk Management (ICRM) approach was developed² to emphasise the importance of risk transfer mechanisms, like insurance, in averting potentially large amounts of economic loss, quick mobilization of funds after a natural hazard strikes and reinforcing the implementation of the other phases. In this sense, the ICRM approach is a further developed and refined version of the traditional DRM approach, which includes the “Retention & Transfer” phase. The new cycle thus consists of five phases: “Prevention”, “Retention & Transfer”, “Preparedness”, “Response”, and “Recovery”.

Disaster **Prevention** and mitigation activities aim to reduce the impact of extreme natural hazard events whilst also adapting to climate change. In this phase, it is recommended that a hazard, exposure, and vulnerability analyses are conducted. In the

Retention & Transfer Phase, it is important to conduct a cost-benefit analysis to determine which type of pre-disaster financing mechanisms would be appropriate to adopt. By implementing a “risk layering” approach which combines preventive actions with different risk retention and transfer mechanisms can significantly reduce post-disaster financing and the overall risk exposure. Important elements of the **Preparedness** phase include various means of an effective emergency management, such as contingency plans, training of rescue and emergency services, and the establishment of early warning systems. Relief, emergency aid and other immediate actions after a natural hazard strikes are involved in the **Response** phase. Lastly, the **Recovery** phase aims to use the payouts of pre-disaster finance, combined with post-disaster finance to push rehabilitation as a chance to “build back better” and by that to further reduce the vulnerability of the infrastructure and the people.

The unique feature of the ICRM approach is that it builds up dependencies between the five phases and its respective activities. The approach is most effective when all stakeholders are involved in the planning and implementation of the different steps. This is a constant process of planning, implementing, evaluating, and adapting strategies and measures relating to the analysis, reduction, and transfer of disaster risks.

¹ Munich RE, Natural Catastrophes 2018.

<https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/the-natural-disasters-of-2018-in-figures.html>

² The “Integrated Climate Risk Management” (ICRM) approach was developed by GIZ and MCII through the ACRI+ project.





PROJECT IMPLEMENTATION

The ACRI+ project focused on sectors that are heavily affected by climate change, implementing an ICRM approach in the following countries:

China

This project is structured as a pilot, focusing on selected hazards and specific infrastructure sectors (i.e. water) most relevant to the pilot city and the selected hazard. This is done through close cooperation with several partners, including GIZ, Swiss Re, national and regional public sector agencies in China and Germany, as well as with other international experts, universities, and foundations. The concept was done in four parts:

- **Component 1:** determine the pilot city;
- **Component 2:** risk identification and analysis;
- **Component 3:** recommendations and policy suggestions for risk transfer solutions; and
- **Component 4:** knowledge transfer.

Through these steps and continuous capacity building in China, this project aims to increase Lishui's urban infrastructure's resilience to natural hazards.

Barbados

This project aims to ensure climate resilient development of the renewables-based energy system in Barbados. The project supported public authorities in the development of a ICRM Roadmap for Renewable Energy on Barbados. The roadmap includes: aspects of established disaster risk management practices; recommendations for adequate risk reduction measures; preparedness and response planning measures in addition to insurance perspectives; and the promotion of ICRM global experience exchange. By developing this ICRM Roadmap the project also seeks to demonstrate the value added of using risk transfer measures in the renewable energy sector in advancing climate change adaptation plans and strategies.



Morocco

The aim of this project is to contribute to climate resilience of SMEs through strategically combining insurance approaches, if applicable and suitable, with other risk management measures to harness important synergies and leverage spill-over effects between the different approaches. Together with local authorities and Allianz RE, new insurance solutions were developed and linked to all of the phases of the disaster risk management cycle.

The ACRI+ project engaged at local, national and international levels to help develop: adaptation measures, climate risk insurance, and awareness of climate change issues. The project also developed consultation and training for the private sector in adaptation to climatic changes and advice on the use of finance and insurance products within this context.

OUTCOMES

The Advancing Climate Risk Insurance plus (ACRI+) break new ground:

- Innovative insurance solutions were developed together with local authorities and private sector partners. These solutions were integrated into the individual phases of disaster risk management (Prevention, Retention & Transfer, Preparedness, Response, and Recovery).
- New measures were designed based on a comprehensive risk analysis of extreme weather events and their direct and indirect effects on people, the environment, and the economy.
- Integrated Climate Risk Management Roadmaps were developed for urban infrastructure, Micro, Small and Medium Enterprises (MSMEs), and renewable energy in China, Morocco, and Barbados, respectively.

Services

The ACRI+ project offered the following services:

- Expertise in risk transfer solutions;
- identify risk reduction options as part of an ICRM approach;
- provide recommendations on adaptation measures and an action plan along with the enhanced disaster risk management framework;
- enhance the capacity for implementing climate risk management action plans and foster cooperation on climate risk prevention and transfer between existing stakeholders;
- access to financial markets and customized financial solutions;
- standardized international practices;
- international cooperation and exchanges.

- Best practices and experiences of different international organizations were made accessible through the Global Index Insurance Facility (GIIF) and PreventionWeb databases.
- Experiences were streamlined to the international climate dialogue by participating in conferences, climate negotiations, and talking to experts from the public and private sectors.
- A toolbox for climate risk transfer for the agricultural sector was developed, which will help guide government officials and other practitioners in applying an integrated climate risk management approach to their country, city, or sector.

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