

Input to Commission on Human Rights Philippines inquiry session: ***'Climate Change and its Impact on the Human Rights of the Filipino People'***

Swenja Surminski, Head of Adaptation Research

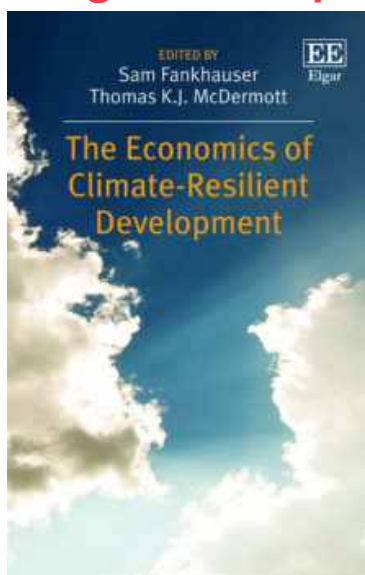
London, November 2018



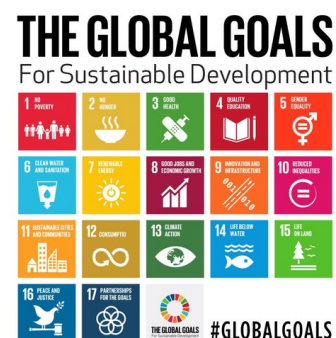
Three pillars of climate change action:

- Deal with the causes ('mitigation')
- Prepare for the consequences and manage impacts ('adaptation')
- Support those impacted by climate change (Loss and Damage, climate justice)

Joining the dots: sustainable development as a concept that integrates adaptation, mitigation, and climate resilience

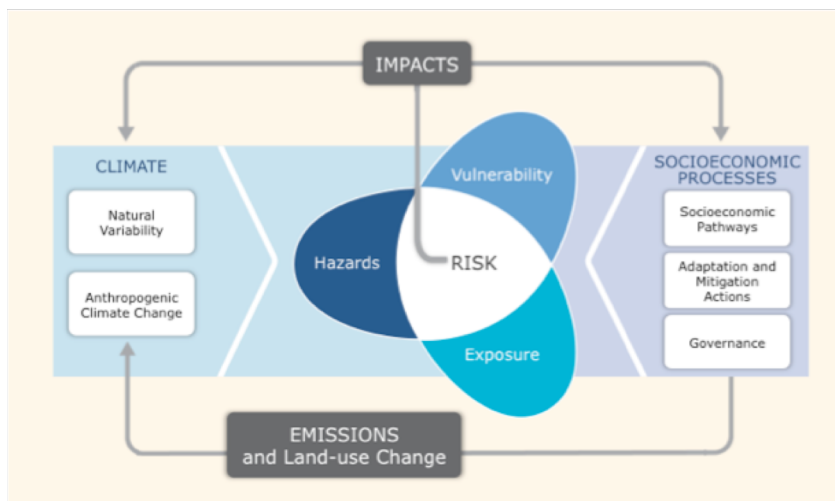


The book treats adaptation to climate change as an issue of climate-resilient development, rather than as a bespoke set of activities (flood defences, drought plans, and so on), combining climate and development challenges into a single strategy. The contributors argue that climate risk has to be embedded fully into wider development strategies.



Surminski (2016): Insurance Instruments for Climate-resilient Development In Fankhauser, S. and McDermott, T., eds. Economics of Climate Resilient Development. Edward Elgar.

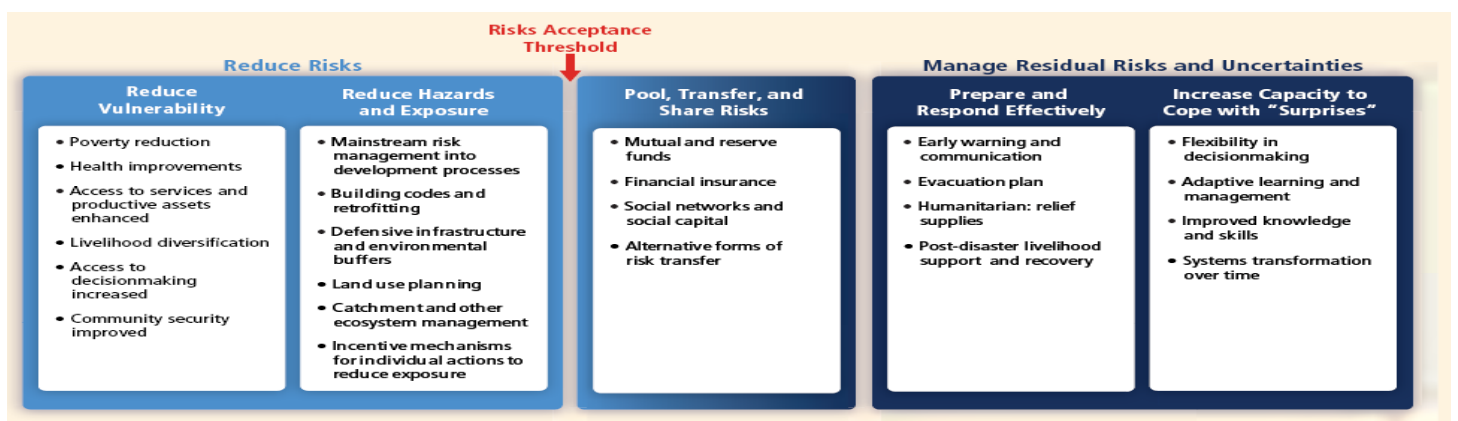
IPCC Working group II perspective:



“Risk from a changing climate comes from *vulnerability* (lack of preparedness) and *exposure* (people or assets in harm’s way) overlapping with *hazards* (triggering climate events or trends)”

Risk = exposure + vulnerability + hazard

Integrated climate risk management for current and future impacts:

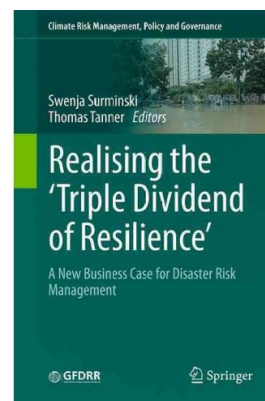


IPCC AR5, WG II, Ch.17 (Chambwera et al., 2014) / IPCC-SREX, 2012

The reality is very much focused on 'post-event' response, rather than on 'pre-event' resilience:

Internationally just 12% of funds for disaster management are put into risk reduction and prevention (**adaptation/resilience**) prior to a disaster, while 88% go into funding responses during, and after an event, including repair or reconstruction.

(Tanner, T.M., Surminski, S., Wilkinson, E., Reid, R., Ren of Resilience, World Bank/ODI)



2015) The Triple Dividend

Example Zurich Flood Resilience Alliance (ZFRA)



The Zurich Flood Resilience Alliance is a multi-sectoral partnership focusing on finding practical ways to help communities in developed and developing countries strengthen their resilience to flood risk.

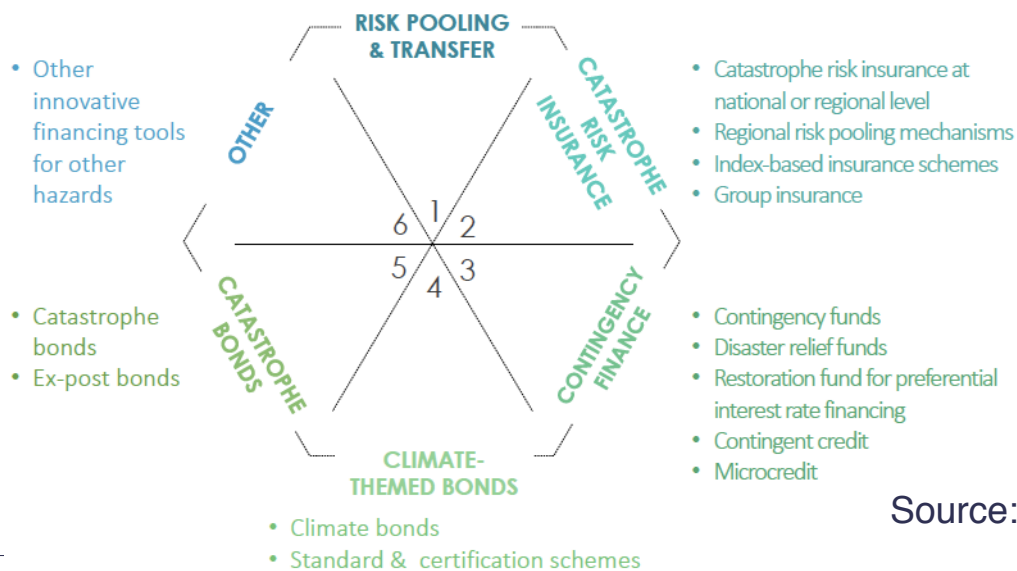
Finance aspects: Resilience Bonds, insurance, investment in resilience

In partnership with:



Financial instruments can be part of the response -

- Tools to identify risks & appropriate responses: risk layering analysis, total climate risk approach
- Various financial instruments (insurance, credit, savings) linked to risk reduction measures

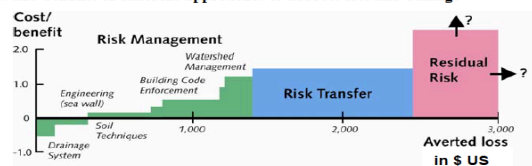


Source: unfccc.int/9432

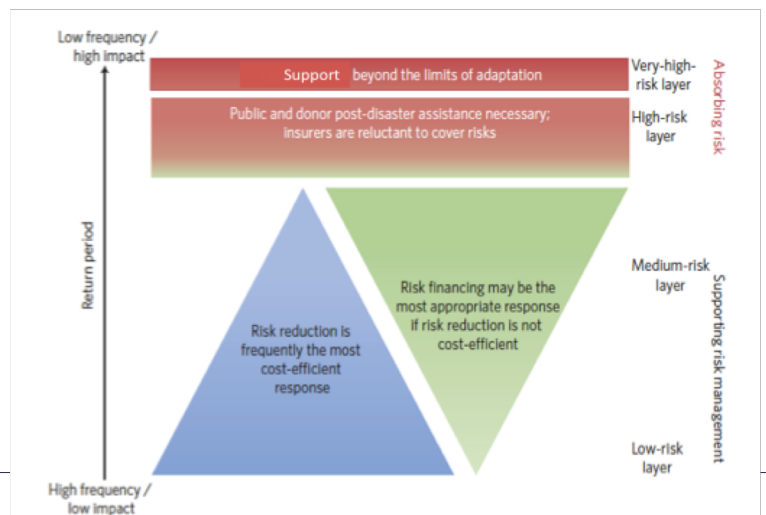
- but identifying the right instrument mix is important:

- Cost curves (Economics of Climate Adaptation) – showing cost-benefits of different instruments
- Risk reduction pilot studies – testing and learning lessons
- Risk Layering – matching risks and instruments

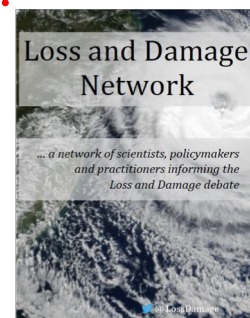
Costs and benefits of different approaches to address loss and damage



Source: Young (2009), adapted from Economics of Climate Adaptation Working Group (2009).



And what about Loss and Damage as the third pillar of climate action?



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Loss and Damage from Climate Change: Concepts,
Methods and Policy Options

Editors: **Mechler, R., Bouwer, L.M., Schinko, Th., Surminski, S., Linnerooth-Bayer, J.** (Eds.)

First comprehensive stocktaking exercise highlighting the state of the art of research, political debate
and policy options on Loss and Damage and the debate on risks "beyond adaptation"

Insurance is an attractive tool -

Insurance can play a significant role in society's ability to recover from disasters through its risk transfer role:

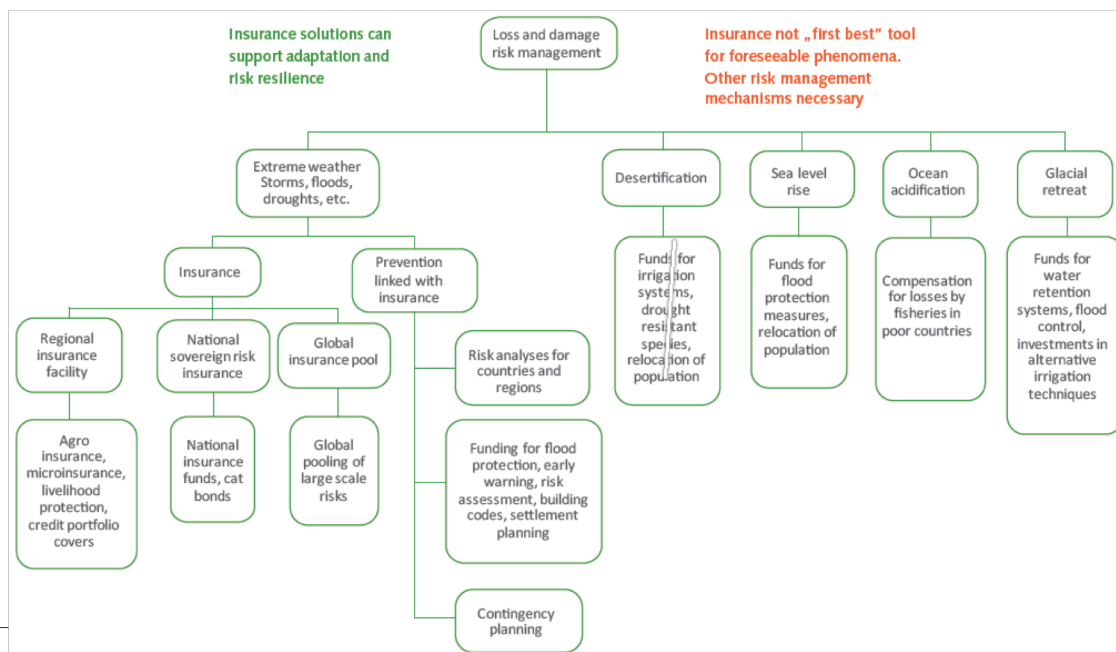
- Spreading and smoothing of risks
- Faster and more efficient recovery
- Certainty about post-disaster support
- Reducing immediate welfare losses and consumption reduction
- Reducing need for budgetary changes

See Hallegatte, S. 2014; Clarke and Dercon 2016

Different objectives – unclear evidence:

- **Insurance as an innovative form of humanitarian aid?**
- **Compensation for Loss and Damage from climate change?**
- **A catalyst for climate risk management and adaptation?**

- but has clear limitations:



Insurance and Loss and Damage:

Does it have a preventative role?
(helping to reduce risk – who to take action?)

Does it have a curative role?
(helping to compensate – but to pay the premium?)

Without significant intervention in their design and implementation, insurance mechanisms as currently implemented will likely fall short of fully meeting WIM aspirations as (differently) expressed by developed and developing country Parties.

Table 21.4 An overview of preventative and curative functions of climate risk insurance

Function	Mechanism	Evidence	Main messages
Preventative	Insurance provides incentives and prescriptions to reduce risks by: i) setting premiums to reflect risk, ii) providing information on risks and their reduction, and iii) making use of deductibles and warranties.	Experience with private flood insurance in developed countries shows little evidence of these measures, whereas limited evidence shows that public insurers may perform better. Moral hazard can be a dominating factor in indemnity-based insurance systems, but is avoided in parametric systems.	Far-reaching changes in institutional design and regulation of insurance may be necessary for insurance to contribute to disaster loss prevention. Lessons can be learned from some exemplary insurance and micro-insurance projects.
	Timely payments help avoid follow-on loss and damage	Good evidence from micro-insurance and regional insurance pools	For reducing indirect (downstream) impacts and risks, insurance may be advantageous compared to other forms of relief
Curative	Insurance provides compensation for losses and damage	Insurance based on the mutuality principle lacks any victim compensation from those outside the insurance pool; the solidarity principle can be invoked for providing humanitarian-based compensation generally, and the attribution principle for non-legally binding compensation for climate-attributed impacts and risks. The solidarity principle is generally the basis for donor-supported micro-insurance and regional insurance pools. Of interest is one proposed scheme in Africa for non-binding attribution-based support.	The L&D deliberations are an opportunity to 'nudge' the narrative underlying international support for pro-poor insurance instruments from 'solidarity' (humanitarian aid) to accountability (non-legally binding compensation).

Recent experience shows that with some important exceptions indemnity and parametric programs (mainly public-private partnerships), beyond pricing risk and reducing moral hazard, have few

Chapter 21

Insurance as a Response to Loss and Damage?

JoAnne Linnerooth-Bayer, Swenja Surminski, Laurens M. Bouwer, Ilan Noy, Reinhard Mechler

Many thanks!

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