Allianz Climate Solutions

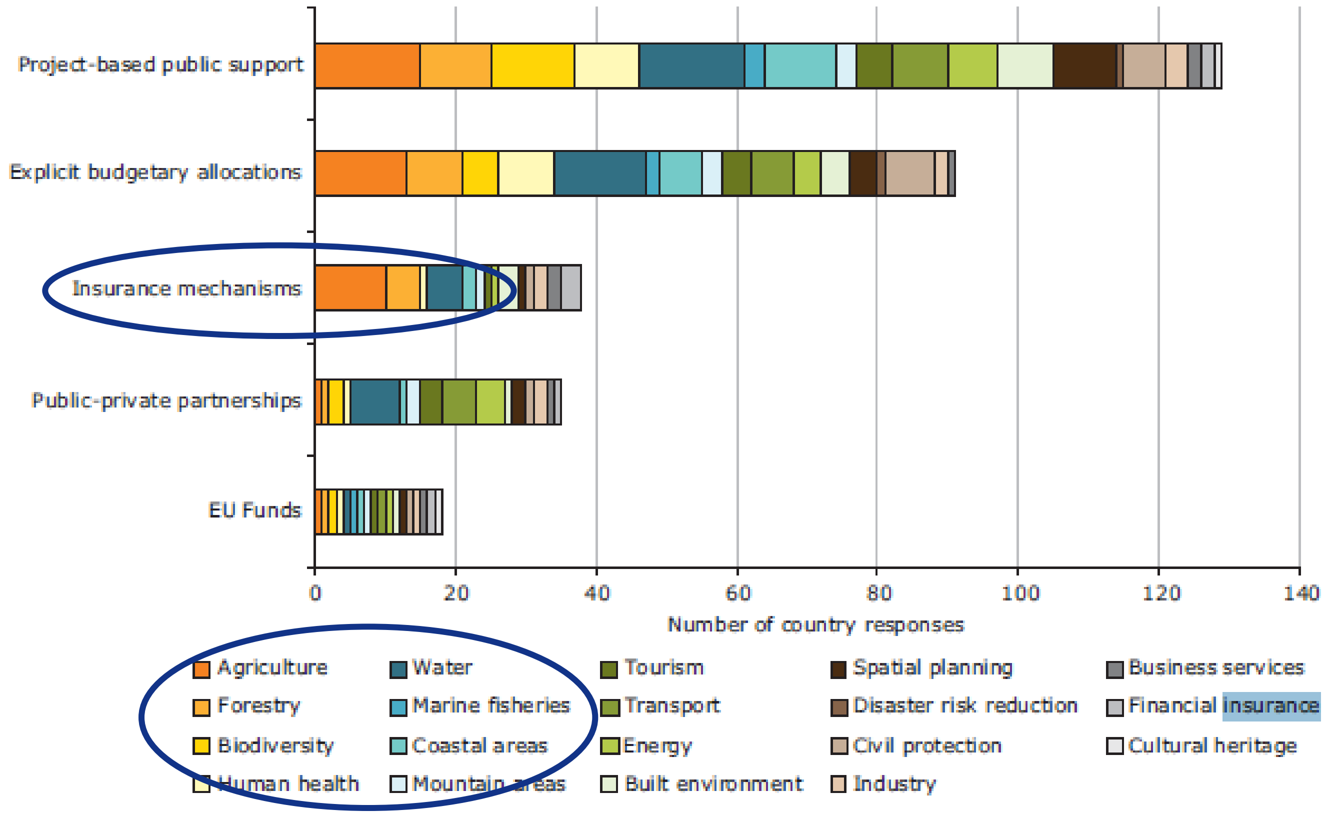
Fourth Annual Meeting San Giorgio Group

October 16, 2014

Simone Ruiz, Head of Climate Advisory & Projects

Insurance is an important financing mechanism for resilient land use in the EU

Financing mechanisms in place for implementing adaptation in 20 EU countries[1]



[1] European Environment Agency, National adaptation policy processes in European countries, October 2014

Insurance is a risk transfer mechanism, but a potential for risk reduction exists

Insurance services can address…

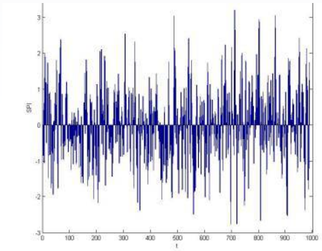
…Financial Risk

Risk transfer

Agricultural insurance / micro-insurance

•**Indemnity based**

•**Index based**



…Physical Risk

Risk reduction

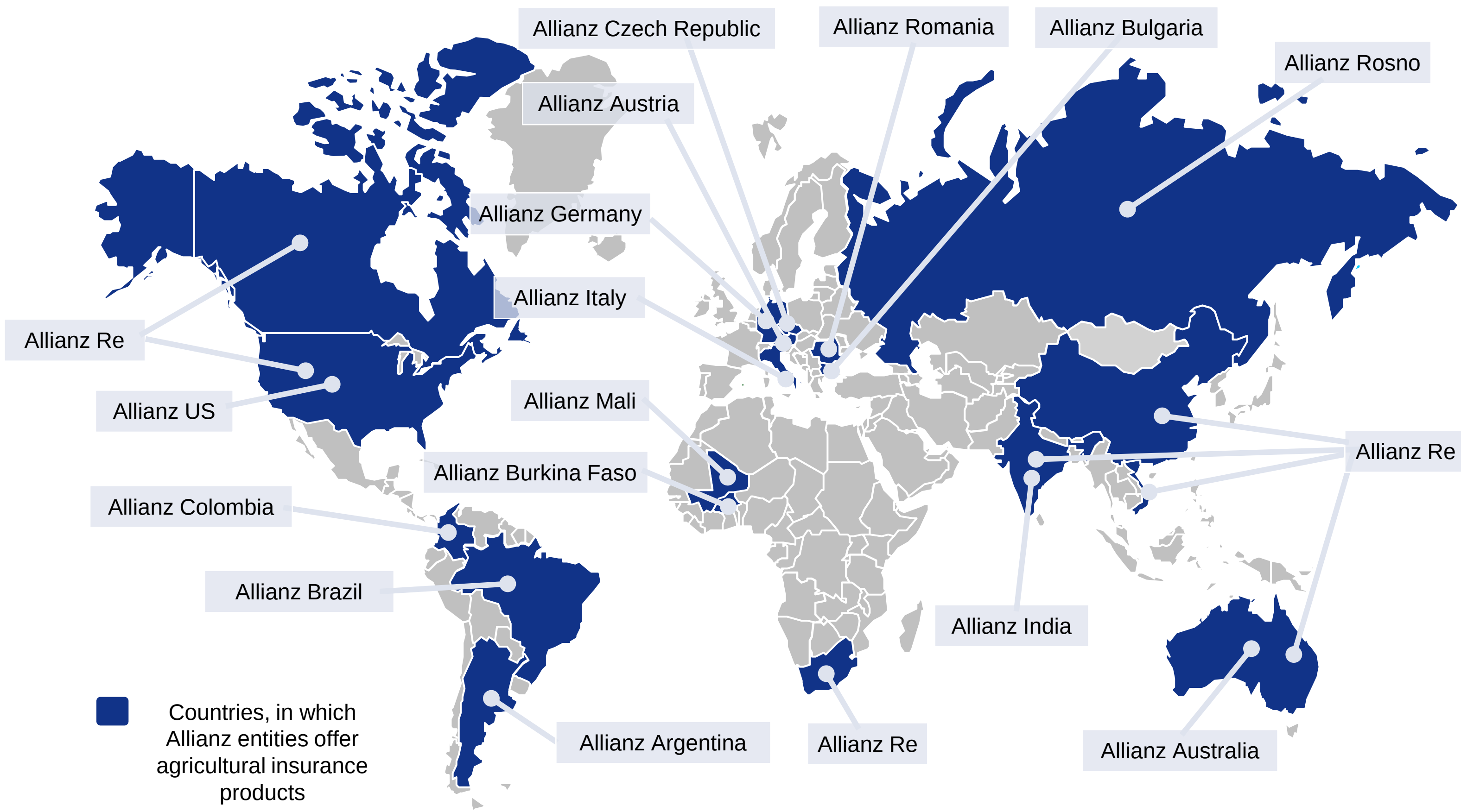
•**Educate and advice customers** (financial planning, planting patterns)

•**Incentivize risk-reducing behaviour** (lower tariffs for implemented irrigation systems or right selection of crops, payout before event)

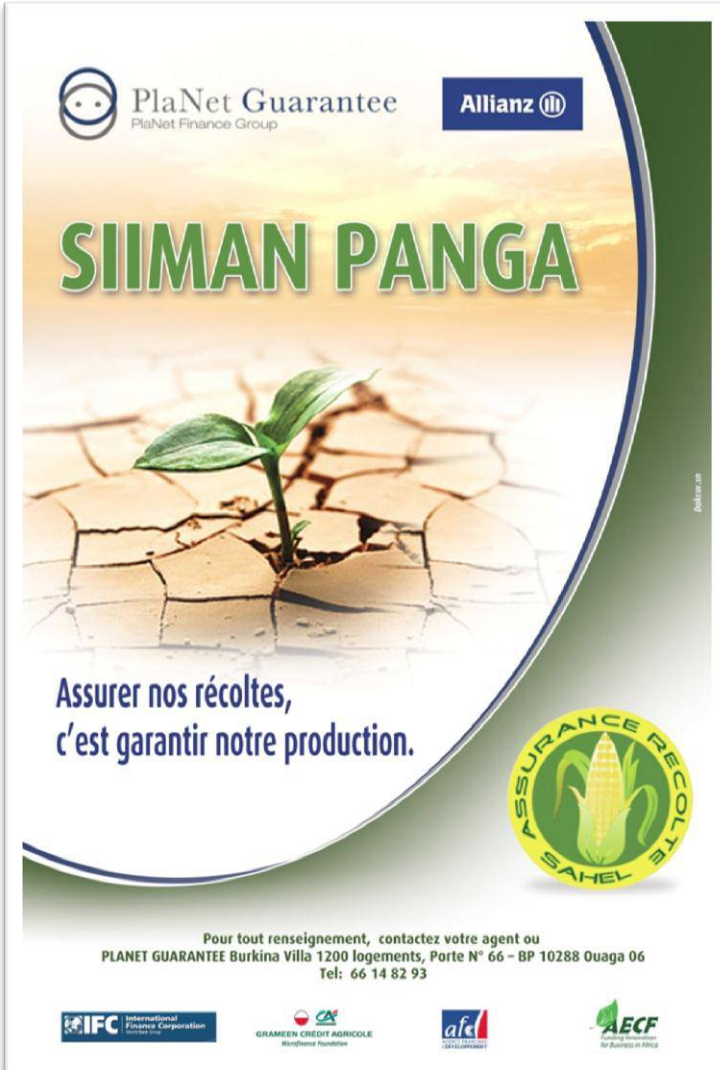
•**Inform about approaching risks** (e.g. weather alerts via mobile phone, radio etc.)

•**Involvement in policy-making**, e.g. land use planning, risk monitoring e.g. via satellite images

Allianz insures over 100 million farmers worldwide



Example from Africa: Sahel Crop Insurance



- •Since 2011
- •In 2013 over 15,000 farmers in Burkina Faso and Mali took out policies with Allianz Africa.
- •Insurance policy coupled with loan for seed purchase
- •Index-based, easy payouts
- •Basic financial education for farmers
- •Caution: Feeling of security, incentivizing risky behaviour

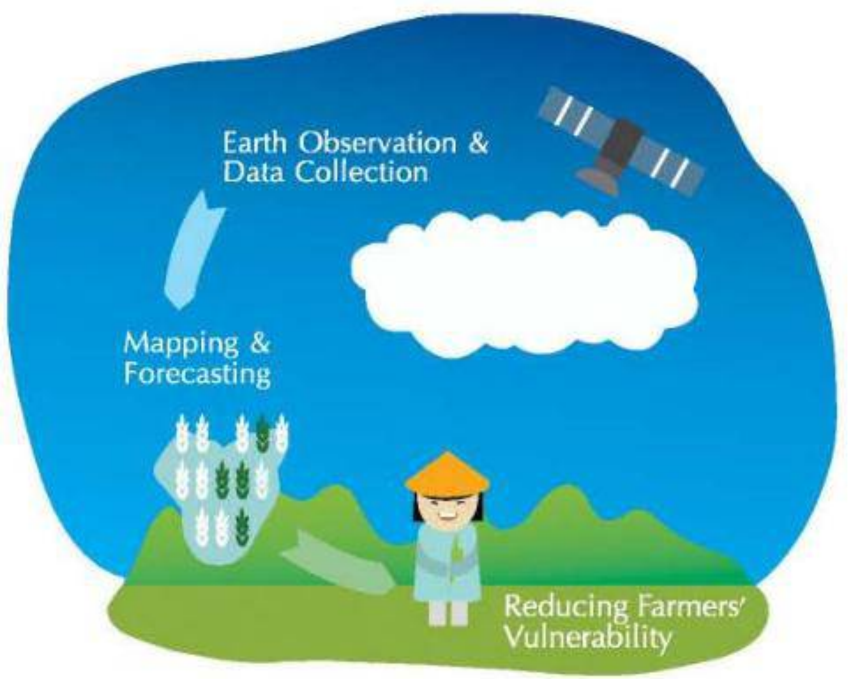
"When the rains failed I was really surprised when the insurance company came the long way to my village to bring me the news that I receive an insurance payment for my seed loan.".

BARTHELEMY KOHOUN

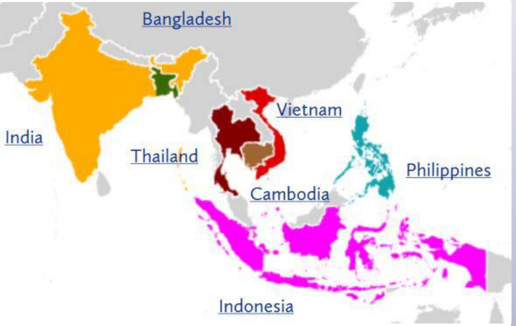
A FARMER FROM POUNDOU,

A VILLAGE OF 4,000 PEOPLE IN BURKINA FASO

Example from Asia: RIICE



- Public-private partnership since 2012
- 7 Asian countries
- Development of remote-sensing system which serves as an early-warning system
- Basis for development of insurance market for smallholder rice farmers



"We want to transfer the financial risks that small-holder farmers face from natural catastrophes to the formal insurance market. Through the remote sensing technology we have a reliable and unbiased tool to calculate insurance premiums and evaluate the losses."

AMER AHMED
ALLIANZ RE CEO

Main hurdles for developing insurance for climate resilience

Hurdles vary in…

…developed markets

Customer acceptance and understanding

- **Customers expect government to protect** them from extreme weather events
- **Do not understand the level of risk** or believe that their property is at high risk of further flooding
- **Reluctance to accept recommendations** coming from the private sector side

…emerging markets

Institutional hurdles

- **Low familiarity with insurance;** direct insurance reaches only a small fraction of vulnerable population
- **Limited purchasing power** to cover the cost of insurance.
- **Limited financial infrastructure**

Insurers have a role to play in developed countries to incentivize behavioral change

! The expansion of insurance instruments protecting from financial and physical risks in developing countries is still limited by institutional hurdles

Questions?

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Example from the Caribbean: Livelihoods Protection Policy

MCII | Munich Climate Insurance Initiative

•An Munich Climate Insurance Initiative project, public-private partnership

•Since 2011 in Grendada, St.Lucia, Jamaica

•First index-based weather insurance in the Carribean

•Cooperation with Ministries of Agriculture to encourage farmers to plant more drought/wind resistant crops

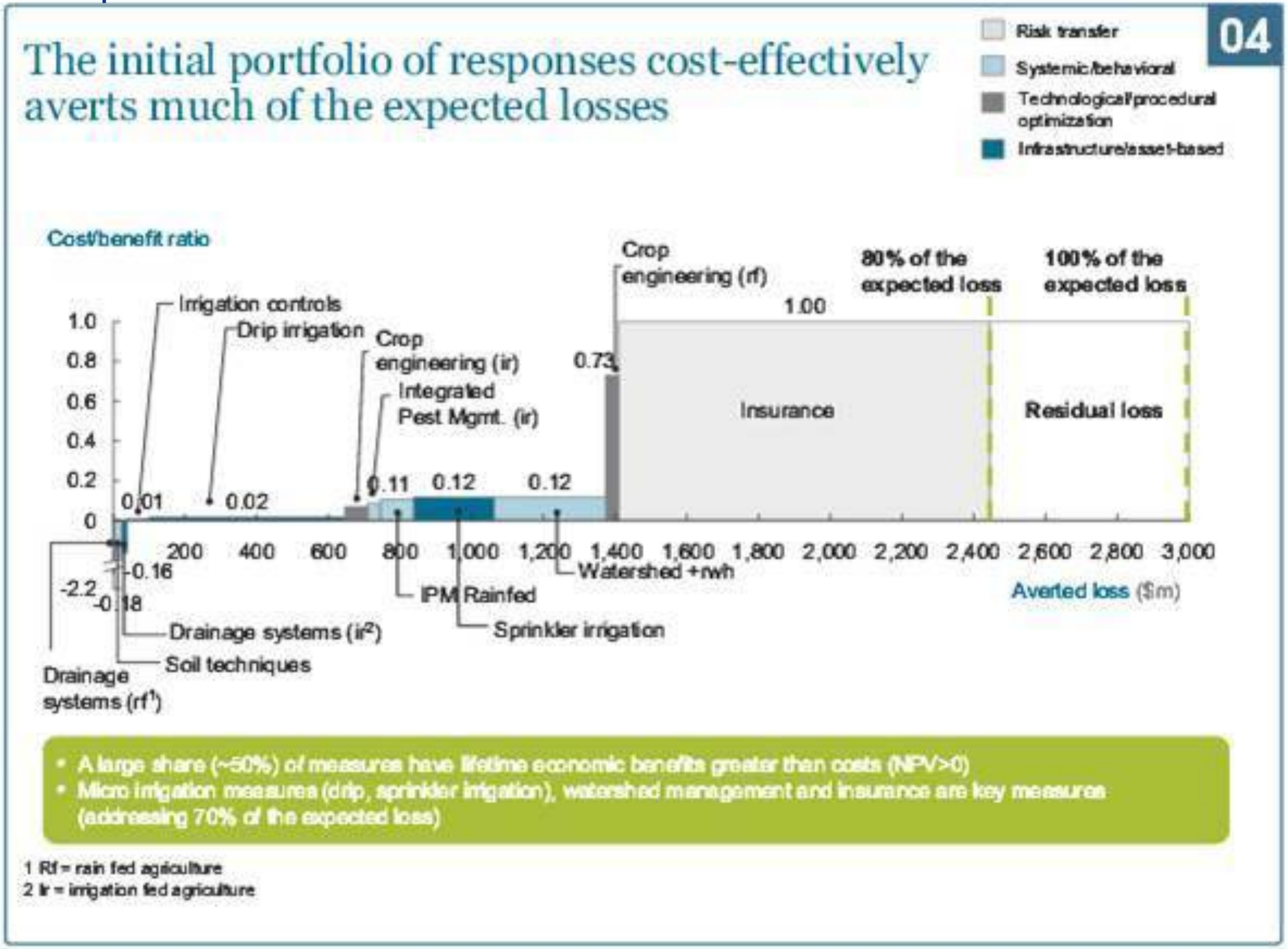
•Collaboration with agricultural input suppliers in oprder to provide policy holders with better seed variety and lower prices

"Even having insurance I don't want a hurricane as they are devastating for our country. I also know there is still lots of preparation I need to do to protect my crops, but I am happy that I won't lose everything when the next big storm hits."

ELISIA MARQUIS
SAINT LUCIAN BANANA FARMER

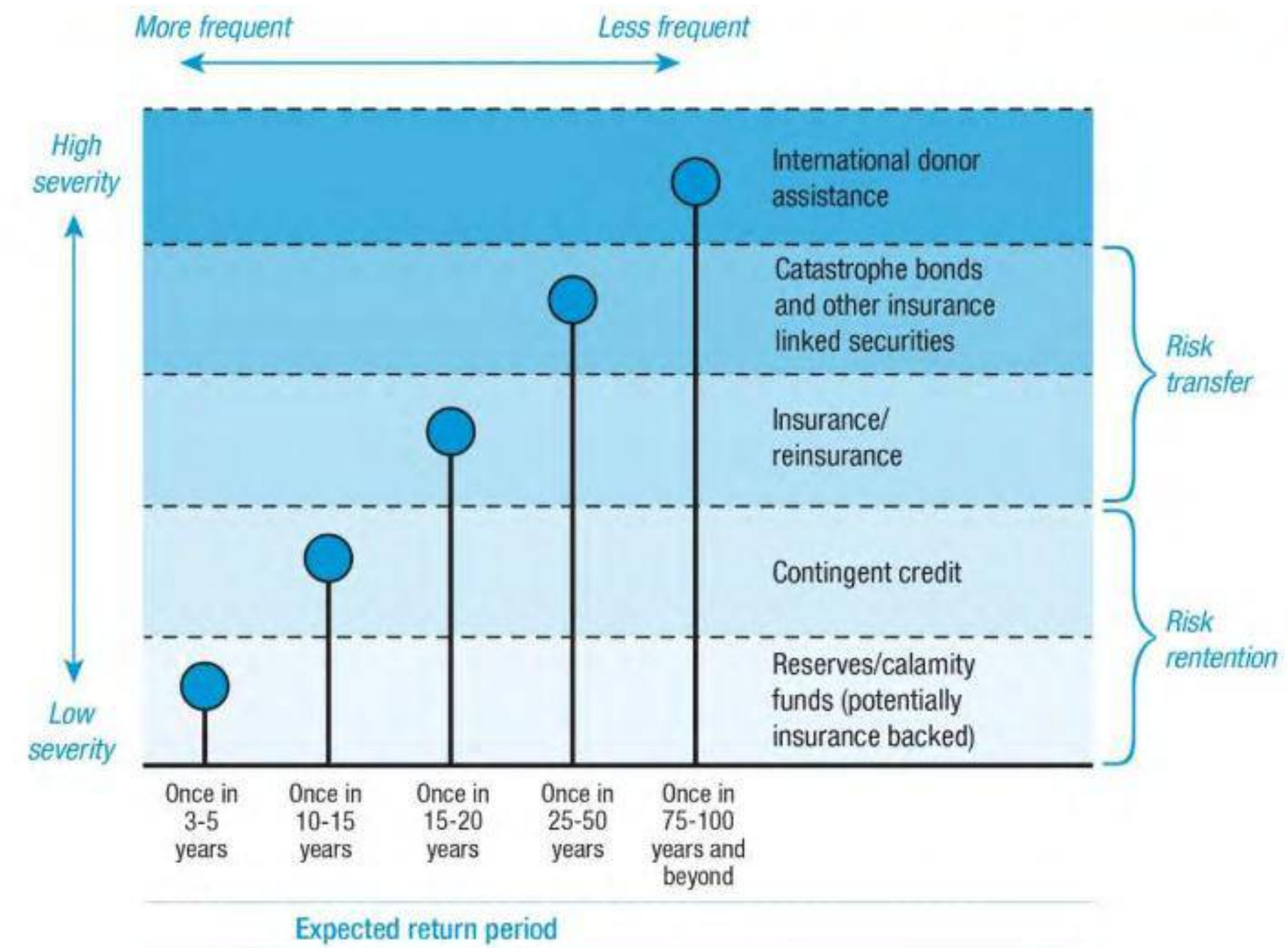
Risk transfer in the portfolio of responses to expected agricultural losses

An example from Maharashtra[1]



[1]Shaping Climate Resilient Development - A framework for decision makers

Risk layering and the application of financial instuments



[1]Lydia Poole (2014): A calculated risk - How Donors Should Engage with Risk Financing and Transfer Mechanisms, OECD Development Co-operation Working Paper 17.