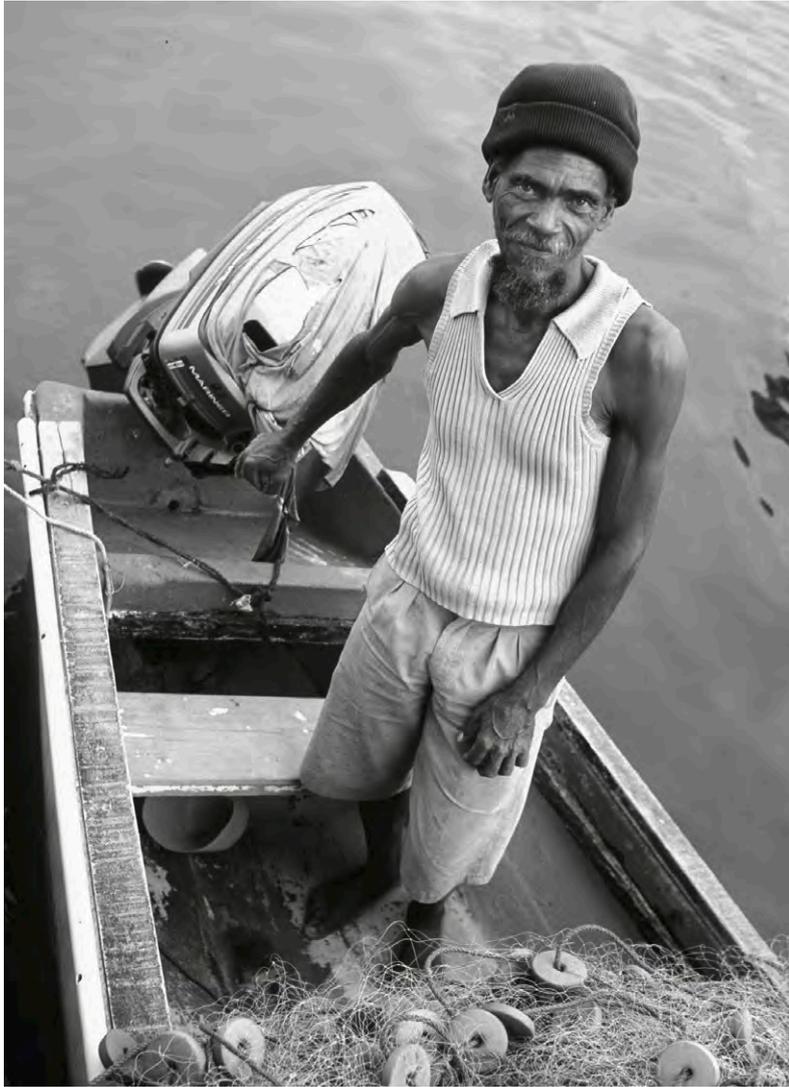


Hurricane Sandy devastated parts of New York City and inundated thousands of houses with its record storm surge. The photograph was taken in Queens where short-circuiting and fire in a gas pipeline set many houses ablaze. As an affluent country, the USA can cope with such events through the strength of its own resources. In many parts of the world, however, people depend on outside help in the wake of disasters.

Right: A fisherman in Jamaica brings his boat into the harbour of Greenwich Town. At present, concepts are being developed to help people with low incomes reduce the effects of damage to their simple boats caused by extreme weather.



# Adaptation to climate change — New concepts for affected, low-income countries



Increasing losses due to climate change are threatening the livelihoods of many people, especially in low-income countries. Thus, the international community must not only promote climate protection but also provide financial support for adaptation measures.

As early as 2010, the World Climate Summit in Cancún passed a resolution calling for the foundation of a Green Climate Fund to help developing nations with adaptation measures. However, it still remains unclear how much money will be made available for this fund, despite the urgent need for financial aid to allow countries which are heavily affected by climate change to find new solutions.

Even though developing countries remained unscathed by spectacular events last year, the memories of the disastrous floods in Pakistan 2010 and 2011 or of the severe drought in Somalia in 2011 are still fresh. In Geo Risk Research at Munich Re, we analyse natural disasters and assess the risk potential of future losses on a daily basis. Our global documentation of all loss-relevant natural events, the most comprehensive of its kind in the world, confirms that weather-related loss events have increased significantly in developing and emerging nations. In fact, they have increased more than twofold in comparison to industrial countries when examining the time series since 1980.

2012 was another eventful year. This time, however, the USA was particularly affected, experiencing the warmest year on record in its history. Tornadoes, severe weather events and massive crop damage kept us and countless researchers in suspense. Tropical Sandy, which left parts of New York under water in October, brought the series of natural disasters in 2012 to a tragic climax.

While industrial countries such as the USA are able to handle events of this kind relatively well, people in low-income countries do not have this ability. Solutions must be found to help them quickly, not least because they have little or no insurance. Although insurance in this situation is just one of many adaptation measures, it is a very effective one. This does not mean that typical products, as they are widely known in industrial countries, should be established. The financial means of the people are restricted, households must use most of the available money to feed the family and procure other essential, life-sustaining goods.

This situation calls for new insurance concepts such as those suggested by the Munich Climate Insurance Initiative (MCII), an interdisciplinary panel of experts. Their concepts are tailored primarily to people who are engaged in economic activities in low-income countries and yet are poor. At the moment, the MCII is testing two pilot projects in the Caribbean. The Livelihood Protection Cover project enables fishermen, people working in the tourist industry and small-scale farmers to avail themselves of insurance benefits in case of excessive rainfall or wind damage. These people can use the money to quickly remedy the damage incurred and then return to their day-to-day business. If they are not able to repay their small loans, a further project, the Loan Portfolio Cover, assumes the debt-servicing obligations. This helps the claimants as well as the microloan bank and ensures that these people continue to have access to loans. If these pilot projects prove successful, they can be replicated in other regions.

These are just two examples of new insurance-based concepts that can help people in low-income countries. However, support is required for such coverage to become established. To promote their application and development, governments, sponsors and other funding organisations must assume a portion of the costs in the early phases. If climate-change-related risks are covered, the Green Climate Fund may make funding available.

Even though few commitments were made in this regard at the climate conference in Doha in December 2012, one thing is clear: funds will eventually become available. Negotiations at the political level, which are increasingly addressing adaptation and financing, confirm this. The natural disaster trends indicate a continued increase in pressure. Non-government organisations and aid organisations should begin with essential preparations now, because as soon as the funds become available, action must be taken quickly. Investments in preventive measures can generate quantifiable success and will then become evident.

The delegates of the 195 signatory states have ruled that the "Loss and Damage" programme is to be continued in the coming years. To this end, the MCII has already conducted a comprehensive analysis of possible prevention and risk transfer measures. We will continue to support this programme, in order to facilitate the adaptation to climate change for people in low-income countries.

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