

The African Risk Capacity (ARC), an integrated African solution devoted to tackling the impact of natural disasters through its risk insurance scheme, came under the spotlight at the UN-FCCC's 2015 CoP21 Climate Conference in Paris.

## The Paris Agreement

The role of ARC and climate risk insurance in addressing climate change has been increasingly recognised. Following the formal inclusion of Loss and Damage in the Paris Agreement, insurance is now set to play an even more significant part in the process.

**WHAT IS LOSS AND DAMAGE:** *Residual losses and damage are the result of climate change impacts that cannot be prevented through mitigation and adaptation efforts.*

Loss and Damage, initially treated as a sub-category of adaptation, was included as a third and separate pillar of climate policy in the Agreement, alongside adaptation and mitigation. This was a significant milestone after years of policy discussion and a big win for vulnerable countries.

Loss and Damage was included in the Agreement under Article 8, with specific mention made of insurance and climate risk pooling. It states that the 195 Parties to the Agreement must boost their understanding, action and support relating to climate change-caused Loss and Damage in:

- Early warning systems;
- Comprehensive risk assessment and management; and
- Risk insurance facilities, climate risk pooling and other insurance solutions.

This should be done through the **Warsaw International Mechanism** (WIM), a facility set up in 2013 to improve understanding and dialogue around Loss and Damage.

The agreement demonstrated the importance of insurance mechanisms and regional risk pools, where ARC's pioneering work has been admired and considered effective by the global community.

## WHAT DOES THE WARSAW INTERNATIONAL MECHANISM DO:

*WIM looks to promote and enhance comprehensive risk management approaches through risk assessment, reduction and transfer. It also aims to provide information on risk pooling and transfer, catastrophe risk insurance and other instruments that address Loss and Damage through financing.*

WIM is to be expanded and strengthened under the Agreement and was called on to collaborate with relevant expert groups and organisations ahead of its review in 2016.

## CoP21 Decisions

**Within the CoP21 Decisions, which were adopted by the Parties in Paris and which give effect to the Agreement, paragraphs 48 to 52 on Loss and Damage outline the future work plan for comprehensive climate risk management.**

Paragraph 49 in particular calls on the WIM Executive Committee to set up a clearinghouse for risk transfer that serves as a repository for information on insurance and risk transfer. This data will be used to help develop risk management strategies.

*“Solutions [to climate change] are available. Examples include the Caribbean Catastrophe Risk Insurance Facility and the African Risk Capacity.”*

Ban-Ki Moon, UN Secretary-General



UN Secretary General Ban Ki-moon opened the CoP21 conference by naming ARC as a solution to deal with the impacts of climate change, highlighting the importance of climate risk insurance as he launched his Climate Resilience Initiative.

Given ARC's pioneering work in helping African countries enhance their climate risk assessment and transfer through innovative financing tools, the risk pool is being held up as a leading example of loss and damage management and a means of aiding and protecting vulnerable citizens. ARC has also been actively contributing towards the clearinghouse on insurance and risk transfer.

ARC is offering yet another new tool for addressing loss and damage through its **Extreme Climate Facility (XCF)**. Still in development phase, the index-based adaptation funding mechanism will trigger payouts based on long-term climate shifts.

## G7 InsuResilience

**ARC also received a number of funding commitments from G7 Leaders at CoP21 in Paris as they launched the first phase of the G7 InsuResilience Climate Risk Insurance initiative.**

The G7 InsuResilience project, first adopted in June 2015 in Germany, aims to increase access to direct or indirect insurance coverage against the impacts of climate change for up to 400 million of the most vulnerable people in developing countries by 2020.

The first phase aims to cover 180 million people through the scaling up of ARC and the Pacific and Caribbean risk pools as well as KfW's Climate Insurance Fund. A total of USD 420 million was pledged in Paris by G7 Leaders for this phase.

In support of the G7 Leaders' pledge, ARC aims to reach by 2020 as many as 30 countries with US\$1.5 billion of coverage against drought, flood and cyclones, indirectly insuring around 150 million African.

*Speaking in Paris on 1 December 2015, the US president Barack Obama announced “\$30 million in funding for climate insurance schemes in the Pacific, Central America and Africa”.*



Barack Obama, US President

## INSUREILIENCE COMMITMENTS

ARC, the Pacific and Caribbean / Central American risk pools will receive:

- **USD 30 million** from the United States, as announced by President Obama at the Alliance of Small Island States Forum in Paris
- **EUR 41 million** from Germany specifically for ARC, as well as **EUR 3.5 million** for ARC's Extreme Climate Facility
- **CAD 50 million** from Canada for InsuResilience.

### The Paris Agreement

Article 8: Includes Loss and Damage as separate climate policy pillar, anchoring it in the Paris Agreement, and gives a clear role for insurance facilities

### CoP21 Decisions

Paragraph 49: Calls on Warsaw International Mechanism Executive Committee to set up risk transfer clearing house

### InsuResilience

G7 Leaders pledge USD 420 million in Paris to Phase 1 of InsuResilience – covering 180 million people – of which ARC is to benefit from up to USD 116 million