



Unlocking Public and Private
Finance for the Poor

CILRIF Sub-Working Group Session 2

Climate Risk Modelling Discussion summary

24 March 2021

Discussion summary – Session 2 (1/2)

Consideration

Insurance in the Construction sector

Observations from working group members

- Natural catastrophe risk can be a consideration for construction projects running time horizons of 10-12 years
- Currently, for pricing of insurance in the sector, a stationary view is taken of the hazard and no explicit adjustment are made for any changes in future climate
- Contracts don't adjust annually either and premium is paid upfront at the start of the project. So the ability to adjust on an annual basis doesn't exist, which makes that business very difficult to underwrite
- There is a premium charged for that lack of flexibility and for that long time horizon

Takeaways

- **Insurance deals in construction sector might be useful as a base to build upon**, in future discussions

Discussion summary – Session 2 (2/2)

Consideration

Long term climate risk modelling

Selection of pilot cities

Observations from working group members

- Data and models are available internally with insurers and vendors – but their feasibility for long term modelling needs to be tested
- Important to develop and test long term pricing (15-20 years) of insurance vs. annual renewal for select geographies
- Adjustment features to deal with large deviations from climate projections would be critical
- Easier to simulate some mitigation solutions such as engineering solutions for coastal flooding vs. more complex solutions for wild-fires
- Caribbean islands and Philippines would be possible options to look at
- C40 cities could be consulted for recommendation on possible city locations
- Better to get cities to apply to be a part of the Working Group to ensure sufficient involvement in product development process

Takeaways

- **Important to test existing models on some selected geographies** in order to assess attractiveness of long-term insurance contracts
- **Application call to be put out to cities** after consultation with C40 and other Working Group members

Thank You!

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