



INSURANCE FOR CLIMATE CHANGE ADAPTATION PROJECT

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

On behalf of



Federal Ministry for the
Environment, Nature Conservation
and Nuclear Safety

of the Federal Republic of Germany

Background

Natural hazards like droughts, floods, frosts, and large swings in temperature are now becoming more intense and frequent and are causing serious damage throughout Peru. The agricultural sector, which is fundamentally important to the national economy, is particularly affected by the consequences of climate change.

Reducing risks associated to natural hazards through risk management and prevention strategies is a priority need in Peru, and therefore the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH - german cooperation- has developed a project that offers an innovative choice for risk reduction and climate change adaptation. The project



is part of the International Climate Initiative (ICI) of the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU).

Objectives and components

Overall Objective

Small businesses, producer organizations, and sub-national governmental institutions on Peru's north coast have the possibility of insurance coverage against extreme natural hazards by way of new, innovative insurance products.



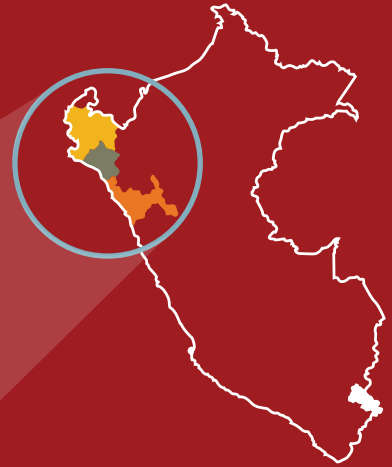
Project location

The project is being implemented in Peru's northern coastal regions that are most affected by the El Niño Phenomenon: Piura, Lambayeque, and La Libertad.

Piura

Lambayeque

La Libertad



Partners

Achieving project objectives is possible due to the strategic alliances between the following entities:

Component 1

Analysis and strengthening of the regional demand for insurance products associated to natural hazards

Key stakeholders, government institutions, insurance companies, financial institutions, international reinsurers, and the Senamhi (Peru's National Meteorology and Hydrology Service)

use quantitative and qualitative data on the demand to promote insurance products against natural hazards, thereby informing the public about the need and the

advantages of having this type of insurance for lowering risk associated to natural hazards.

- **Indicator No. 1:** Number of insured companies using the Demand Study for designing an index insurance product dealing with risk associated to natural hazards.
- **Indicator No. 2:** Percentage of men and women in producer associations informed about climate change and the associated risks their crops face as well as insurance use, cost, and risk.

DIARIO EL TIEMPO, PIURA



Component 2

Develop innovative insurance products associated to natural hazards

Financial institutions are offering innovative insurance products associated to natural hazards in the target regions. Products will have been previously adapted to the target group needs, following technical, institutional, and financial standards.

- **Indicator No. 3:** An index for use in developing insurance associated to natural hazards for the target region has been created, with the participation of key stakeholders (government institutions, insurance companies, financial institutions, international reinsurers, and the Senamhi).
- **Indicator No. 4:** There is a fully developed index insurance product aimed at another sector (infrastructure, fishery, or other regionally important one).
- **Indicator No. 5:** Amount of agricultural loans covered by index insurance in the target region (Base Value = 0).
- **Indicator No. 6:** There is at least one agreement solidified between an international reinsurer and a Peruvian financial institution.



Component 3

Legal and institutional framework suitable for developing innovative insurance products associated to natural hazards

Government institutions are supporting an innovative insurance market associated to natural hazards, having adapted the legal and institutional framework for promoting these products. Said institutions have been previously trained on how to support an insurance market.

- **Indicator No. 7:** Number of governmental institutions actively supporting the creation of an insurance market associated to natural hazards.

- **Indicator No. 8:** Financial institutions, government agencies, and Peruvian insurance companies have access to a compendium of benefits, costs and risks of insurance products associated to natural hazards.



Component 4

Replication and national and international visibility

Information on these innovative insurance products is spread nationally and internationally, whereby an exchange of experiences is promoted and their reproducibility in other Peruvian and Latin American regions has been evaluated.

- **Indicator No. 9:** Number of information users and capacity-building events to promote insurance products associated to natural hazards.



El Niño Index Insurance

The project's first innovative insurance product is the Extreme El Niño Insurance Product (EENIP), being offered by the insurance company, La Positiva Seguros, and which pays the sum insured before an extreme El Niño occurs.

Unlike other insurance, this one uses a weather index to authorize the payout of the sum insured, namely the average November-December sea surface temperature (SST), data which is gathered by the U.S. NOAA (National Oceanic and Atmospheric Administration).

If SSTs exceed the temperature established in the policy conditions, then the payout will be made in January, i.e. before the adverse event occurs.

NIÑO REGION 1.2, OFF THE COAST OF PERU



Source: <http://www.cpc.noaa.gov/data/indices/sstoi.indices>

Risk is out there, get insured.

For more information, please contact us:

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