



Ministry for Foreign Affairs  
Sweden

**Global Humanitarian Forum, Geneva 24-25 June, 2008**

**Roundtable on ‘Are the right risks insured?’**

**Intervention by Ms Gunilla Carlsson, Minister for International  
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- Ladies and gentlemen, fellow panelists, I am very honored and pleased to be here today and be part of this important forum on the ‘human face of climate change’. The climate change discourse sometimes suffers from being too technical, too much about what goes on in the atmosphere, and too little about the fact that climate change happens to people. Kofi Annan is giving a tremendous contribution to our efforts in dealing with climate change by reminding us that we must always have this human face before us, or we will go wrong.
- Before entering into the topic of this panel, let me say a few words about an initiative taken by my own government, which is very much in the spirit of our meeting here today. Late last year, my prime minister announced the launching of the international Commission on Climate Change and Development. Chaired by

myself, the Commission gathers 12 members representing different regions and areas of expertise and experience. It has been asked to present its recommendations just before Sweden becomes the president of the European Union mid-2009. This means that we intend to take its conclusions with us as we approach the momentous climate negotiations in Copenhagen in December, 2009.

- The task of the Commission is to address two aspects of climate change that in my view have still not received sufficient attention - adaptation and disaster risk reduction in the context of the poorest and most exposed countries. Ultimately, this is about ensuring that vulnerable people can continue on a path to development that is sustained. Therefore we have decided to base our analysis of the support needed in terms of financial resources and institutional architecture on a profound understanding of what we call the human dimension of climate change.
- By this we mean two things. First, we look at risks caused by climate change from several perspectives in order to capture the whole human experience. They include food security, ecosystem services and livelihoods, but also social capital, governance and conflict. Second, we are interested in context, or the fact that communities at risk, as well as local and central governments, are faced with many urgent problems and priorities, all of which require their attention. They may not view climate change as the most important among them. At the moment, for example, many poor communities both urban and rural around the world find their most pressing concern to be the dramatic increase in food prices, making it even more

difficult for them to make ends meet. It is only when we understand the manifestation of climate change among these many local priorities that we can have meaningful dialogue and provide valuable recommendations. It is only then that we can avoid the simplistic propositions that come from a one-dimensional analysis.

- With these local and contextual perspectives, it is natural that our Commission takes a strong interest in the potential of insurance as one way of protecting vulnerable communities against current and new risks, but also by creating the space for farmers to engage in more productive cultivation practices. It is also something that my government is interested to pursue as part of our support to disaster risk reduction. We are aware of the several promising pilot efforts that take place, it is now increasingly urgent to find ways of scaling up what works. The Commission has not yet formed definite opinions but I would like to share with you some of the discussion that we have on this topic. Let me address three specific issues.
- First, the respective roles of the public and private sectors in promoting insurance against climate-related risks among vulnerable communities needs to be further explored. It will be important that the public sector does not attempt to replace private insurance providers in an emerging market for example by paying or subsidizing insurance premiums that may lead to distortions in behavior of the insured and false notions of the degree of risk. The public sector should rather seek to lower risk thresholds by investing in public goods that will enable insurance providers to play their role. Reducing common risks can e g by done by investing in

agro-meteorological services and weather stations that provide accurate data. It can be done by building levees to protect communities against storms and flooding. Or it can be done by investing in agricultural research to identify more productive drought or flood resistant crops. But it is also about protecting those most vulnerable that can ill afford insurance products through targeted social protection measures. The role of government should consequently be one of creating enabling conditions for the insurance market to function.

- Second, most of the discussion on insurance so far is about so-called covariate risk, which means risks or shocks that affect all in a community at the same time. Most of the weather-related events that we associate with climate change are of this nature, such as droughts, floods and storms. Much less attention has been given to the risks that are more likely to seek out individual households, hitting them one by one. These are the so-called idiosyncratic risks. Their effects are of course much less visible to the outside observer, but some claim that their impact in terms of eroding assets and perpetuating poverty could be greater in some countries than what is caused by covariate risks and shocks. Typical idiosyncratic shocks are illness, injury or death of a household member, in other words loss of the critical asset of being able to work for your children and for your family. Social networks provide insurance in such cases in many societies, but research indicates that they do not provide full insurance, nor do they cover all households. Work in this area has mainly focused on options for health insurance, but as far as we have found there has been almost no attention to the impact that climate

change could have on individual households in this respect. It is likely that the effect of climate change on health, through changing patterns of disease transfer, could have very serious consequences for vulnerable households. Again, the global and macro perspectives that so frequently characterize our debates on climate change must not lead us to miss the fate of the individual person. To me, this is very much about rights and climate justice!

- The third issue that I would like to contribute is about the great potential offered by the many migrants around the world. Some of them have left their homes partly as a strategy to manage the effects of climate change. Estimates tell us that they send home some USD 300 billion as remittances each year, which means three times as much as current ODA. When a natural disaster has hit the community back home, we know that the transfer of money increases considerably. Then migrants contribute tremendously to assist their communities' efforts to recover, often much more than the volume of international aid. If the diaspora had access to insurance products that allowed them to pay premiums for their next of kin living under risk at home, this would open some very interesting opportunities. This could be both about covariate and idiosyncratic risks and shocks. Again, there are some innovative projects and promising pilots. I would like to see the insurance industry take a very serious look at this potential market and would welcome comments today.
- Let me conclude. We are here to recognize the human face of climate change. We are compelled to find ways of protecting the

most vulnerable among us from the threats posed by climate change. Insurance offers one potential instrument to reach them, as communities and as individuals. So far, it is the most promising public-private partnership as far as adaptation is concerned, but we need to scale up. My Commission and my Government are ready to do our part.

Thank you.