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Insurance can encourage data on African climate risks to inform government decision-making

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As the effects of climate change in Africa become increasingly pronounced, government policymaking should build effective adaptation measures. But the lack of data on African climate risks is a barrier to knowing how. New research shows that insurance policies can produce useful information on climate risks and help to build effective risk management and decision-making.

Climate change is already negatively impacting life on our planet and a wide range of human activities. Nowhere is this more pronounced than in sub-Saharan Africa, where countries will experience some of the greatest exposure globally while having limited capacity to adapt. While global efforts to limit the causes of climate change are essential, the need to enhance the capacity to adapt to **reduce negative impacts** is urgent.

Building adaptive capacity requires a supportive policy environment, adequate funding, political will, the technical capacity of decision-makers, **buy-in from key stakeholders** and climate awareness. All of these are underpinned by **appropriate information** on current and future climate risk. In an urban context, climate information might influence building and infrastructure, while in a rural context it lends to the choice of crop and timing of planting.

Poor **data availability** is a problem in many parts of Africa. Where data does exist, it is often siloed within one organisation, lacks comparability because of methodological challenges, and is **rarely used** by those who make **planning or policy decisions**. There are various reasons for this lack of uptake of climate information. Some are technical, related to the appropriateness of information. Others are related to the political economy and the structures that shape access to, and control of, information. Risk information may be seen as a hindrance – for example when risk models indicate why certain parts of a city should not be developed due to their risk exposure, or when risk data shows that a newly purchased crop is likely to be unsuitable in future climate conditions.

How insurance can inform decision-making on climate adaptation

Insurance is one potential catalyst for the use of climate risk information for wider decision-making planning and adaptation action. This financial instrument comes in different forms and shapes, such as micro-level insurance products for farmers, property insurance policies for homeowners, business insurance for companies and sovereign risk insurance as protection of public budgets.

Crucially, those who provide insurance rely on risk information while also generating new information as part of the underwriting process. This additional climate risk information could be of use to other stakeholders. Indeed, climate risk information generated for or by insurance could be used to encourage risk-based planning and decision-making – either by those insured or by those who make decisions about risk creation and risk management, such as governments, planners or individuals.

Our **research**, part of the UK-funded **Future Climate For Africa** programme's **UMFULA project**, has investigated this interplay of climate risk information and insurance processes by combining insights from a survey of 40 African insurance experts with key informant interviews and document analysis, underpinned by evidence emerging from three very different case studies.

These studies cover 1) indemnity-based private market products for property insurance (South Africa) – where the municipality and the insurer share data and collaborate to address flood risk; 2) advisory-services focused on infrastructure and property risks but without direct insurance transactions (Tanzania) – where the engagement between industry and government started with risk assessment and sharing information, rather than focusing on potential products; and 3) a combination of product and advisory in the context of parametric drought insurance, linked to donor-funded data and analytics provision (Malawi) – where the African Union's **African Risk Capacity Group** has provided sovereign drought insurance to the Government of Malawi. **Insurance penetration is exceptionally low in Africa** at 0.8%, compared to Asia's average of 1.8%, Europe's 2.7% and North America's 4.1%.

Particularly in countries with no existing or nascent insurance markets, closing the data and analytics gap can be seen as an important enabling condition for insurance market development. It can also help to build risk management and planning capacity prior to any product-focused transactional activities. However, as **our analysis shows**, that ambition can face many challenges that go beyond availability and suitability of data; limited trust, unclear risk ownership or lack of incentives can provide key barriers, even if there is risk-awareness and overall motivation to manage climate risks.

All three cases in our research also show the importance of sustained cross-sectoral collaboration and capacity building to increase awareness and use of insurance-related climate risk information. Appropriate incentive structures are essential for the translation process of climate risk information. This applies to both insurers and governments, particularly in the context of climate change and information about future risks: the motivation to invest in and consider future information tends to be low on both sides. It is therefore

important to not simply assume that insurers themselves use future risk information for strategic planning. Capacity building is essential on all sides to achieve this transformation towards better adaptation, which includes technical areas such as in the operation of GIS technology, as well as also for decision-makers and planners who need to see demonstrated benefits of anticipatory planning to justify taking action today.

This is a shorter version of a [working paper](#) from Surminski, S. Barnes, J. and Vincent, K.

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