



INDIA 2023



Task Force 3
LiFE, Resilience, and
Values for Well-Being

THE CASE FOR A G20-LED CLIMATE CHANGE RELOCATION INSURANCE SYSTEM

May 2023

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Abstract







Climate change-induced catastrophes in the coming years will result in widespread and large-scale population displacement, including across national borders. Uncontrolled international migration or refugee crises caused by climate change are a matter of humanitarian, economic, and security concern for the global community. This Policy Brief proposes that G20 set the agenda for the protection, rehabilitation, and relocation of climate refugees through the mechanism of a Global Climate Change Relocation Insurance (GCCRI). The Takshashila Institution


first proffered the idea of a GCCRI in a 2015 policy brief. The GCCRI framework will allow at-risk individuals and families to purchase insurance to protect themselves from loss of land, property, and livelihood due to climate catastrophes. The G20 will benefit from a GCCRI system for multiple reasons: remediation towards historical contributions to climate change by developed countries; as a preventive measure against unmitigated climate refugee crises which pose economic and security risks; and pre-planning effective relocation of refugees based on social and cultural considerations.



The Challenge

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One of the most pressing consequences of climate change is the displacement of people who are forced to leave their homes due to the impacts of rising sea levels, extreme weather events, and other climate-related disasters. These events disproportionately affect low-lying and vulnerable regions such as small island states and coastal communities, leading to displacement and relocation of populations. Such large-scale displacement of people will continue to have profound social, economic, and environmental implications, both for the affected individuals and for the countries that receive them.¹ It is also a security concern for states.

While international efforts to address climate change have largely focused on reducing greenhouse gas emissions, there is growing recognition of the need to develop and implement adaptation strategies to address the impacts of climate change that are already being felt. However, many vulnerable countries and communities lack the resources and capacities to implement effective adaptation measures, leaving them increasingly vulnerable.

This is particularly true regarding climate refugees and migrants, who often face massive challenges finding safe and sustainable new homes and livelihoods. In recent years, there has been growing recognition of the need to address the challenges posed by this phenomenon. International efforts have been made to protect and support these vulnerable populations.

For example, the United Nations Framework Convention on Climate Change (UNFCCC) established a Task Force on Displacement in 2015 to explore ways to address the issue of climate-induced displacement.² In 2018, the Global Compact on Migration was adopted by the United Nations General Assembly, which includes provisions to protect the rights of climate migrants.


Moreover, some countries have taken steps to establish policies and programs to support climate refugees.⁴ For instance, New Zealand became the first country in 2017 to propose a specific visa category for climate refugees, though its implementation has been deferred until 2024, at the earliest. However, much more needs to be done to address the scale of the challenge posed by climate refugees.



The Role of the G20

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There are a number of reasons why the G20 should be concerned about, and act on the issue of climate change-induced displacement:

1. **Economic Impacts:** Climate change-induced displacement can have significant economic impacts on the G20 countries. For example, countries may face increased costs associated with managing the influx of refugees, including providing housing, healthcare, and social services. Additionally, large-scale and unmitigated displacement in any region of the world can have ripple effects across the global economy and cause economic instability and reduced economic growth.
2. **National Security:** Displacement and migration can exacerbate existing social and political tensions and can potentially lead to conflict and instability.
3. **Historical Responsibility:** The G20 comprises developed countries that have historically contributed the most to greenhouse gas emissions and therefore bear a greater responsibility for addressing climate change. Displacement is often the result of climate change impacts, such as sea-level rise or extreme weather events, that are largely caused by human activity.

As such, the G20 countries should take a leadership role in relocating climate refugees and allowing them to rebuild their lives in their host countries. This is in tune with the idea of ‘common but differentiated responsibilities’ of countries in climate action.


4. **Capability:** All together, the G20 countries have significant financial and technical resources that can be used to support vulnerable populations. Given the reasons outlined above, it is in the interest of the G20 countries to act on the issue of climate change-induced displacement and harness their capacities to build climate change adaptation systems.



Global Climate Change Relocation Insurance Framework

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The proposed Global Climate Change Relocation Insurance (GCCRI) offers a plausible solution to the problem of climate-induced displacement by enabling individuals and families to purchase insurance for the cost of relocating in the event of losing their land and livelihood due to catastrophic climate change-induced events. Takshashila Institution's analysts, Pavan Srinath, Pranay Kotasthane, Varun Ramachandra, and Sarah Farooqui first proposed GCCRI in a policy paper published in 2015.⁵ The following description of the GCCRI, its key elements, and the challenges in implementing such policy, is derived from that policy paper.

Insurance Structure


The insurance should include relocation and resettlement in another country, a modest fixed-term allowance, legal work permits in the host country, and transfer of the policy to their children. The GCCRI would provide individuals and families with the opportunity to purchase insurance policies that entitle them to these benefits in the event of loss of land

and livelihood due to catastrophic climate change-induced events.

The GCCRI could provide a safety net for vulnerable populations who may face difficulties in finding safe and sustainable homes due to climate change. However, implementing such a framework would require significant resources and collaboration between governments, insurers, and other stakeholders. Determining eligibility criteria and ensuring the framework is accessible to all would also present challenges. This is where the G20 must play a proactive role in enabling a GCCRI mechanism.

G20 and GCCRI

The G20 must promote and establish an international framework agreement on operationalising GCCRI. The agreement must require member countries to provision land, housing, work permits, and funds to enable insurance companies to develop relocation insurance products. The principle of 'common but differentiated responsibilities' should be followed, allowing member countries to choose their own mix of contributions, with a greater role expected from land-rich,



climate-resilient, and high-income countries.

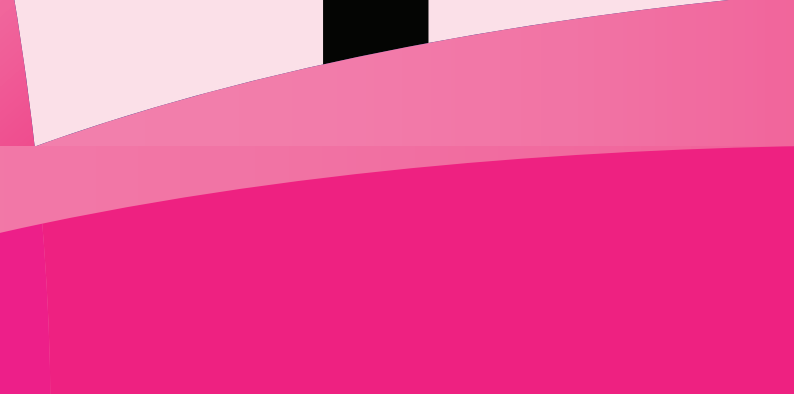
Competition among insurance firms should be encouraged, and a variety of instruments that provide the core benefits of relocation should be allowed, along with a modest allowance for a fixed period, legal work permits in the host country, and the transfer of the policy to their children. Multilateral institutions and state-run insurance companies can fill any gaps left in the global relocation insurance market thus created. Sovereign backing must be extended to the insurance products to prevent defaults and non-fulfilments during the time of relocation.

Vulnerable states can choose to subsidise insurance premiums to ensure affordability and wide uptake of relocation insurance. High-income countries and multilateral agencies have a role in subsidising the insurance for residents of less developed countries on grounds of humanitarianism, equity, and responsibility.

The framework agreement should create an independent authority that verifies the existence of a climate trigger in any disaster, enabling insurance holders to make their claims.



Legal and Geopolitical Challenges and Mitigation Measures



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Domestic Legal Frameworks

Many countries, including India, have yet to sign the UN Refugee Convention of 1951 and do not have specific policies in place for refugees or asylum seekers. Enabling domestic legislation is crucial to ensure the smooth implementation of GCCRI. Therefore, the GCCRI framework must require states to enact appropriate domestic laws and relocation policies. The G20 can work with other countries to provide technical assistance and share best practices for developing and implementing such laws.

Dispute Resolution

Disputes may arise in implementing the framework, and there could be gaps between insurance claims

made and addressed by countries. Punitive clauses may be necessary, but states may resist such binding clauses. The G20 can encourage the use of mediation and dispute resolution mechanisms to address potential conflicts.

Reluctance

High-income, land-rich, climate-resilient countries may have limited incentives to agree to a GCCRI system, reducing the viability of such an insurance scheme. Sustained international pressure brought by other members of the G20 can help resolve the issue, as will financial incentives and the flexibility to choose the extent of their contributions.



Insurance- Specific Challenges and Mitigation Measures

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Risk Modelling

The challenge of pricing the risk of catastrophic climate change events is complex due to the lack of robust data for low-frequency/high-impact events. However, climate modelling has improved in the recent years, and today it is possible to develop climate insurance products that once seemed impossible.

To mitigate the challenge of effectively pricing catastrophic climate change-induced events, multilateral agencies and governments must invest in research and development to help insurance companies develop more sophisticated actuarial models. This can lead to a reduction in insurance premiums.

Market Imperfections

Catastrophe insurances are vulnerable to market imperfections such as high-risk premiums and unaffordability for low-income countries. Additionally, large events can cause simultaneous losses for many policyholders.

Governments and international agencies can play a crucial role in

subsidising insurance to increase its overall subscription base and make it affordable for residents of low-income countries. Since the insurance payout requires housing, work permits, and allowances, private insurance companies do not require large amounts of capital on hand.


Adverse Selection

A challenge in insuring vulnerable regions is adverse selection, where economically mobile individuals may choose to opt out of insurance, leaving only the least mobile customers for the insurer. This could lead to higher risks of default and local resistance during relocation.

The chances of adverse selection are low, as competition in the event of a catastrophic trigger affects even the most mobile individuals. Governments can also prioritise insurance holders when handing out work permits after disasters, mitigating the problem of adverse selection.

Free-Riding

Some people may opt out of the insurance, assuming that they will still be rehabilitated on humanitarian grounds, in any case. The GCCRI addresses the



free-riding problem by giving better payoffs than what a humanitarian intervention typically provides. Usually, people are accorded refugee status and provided necessities at a refugee camp pending further intervention. However, the proposed GCCRI will provide for pre-allocated housing and work permits, enabling policyholders to avoid the vicissitudes of a refugee camp.

Urgency of Communication and Building a Culture of Insurance

To ensure the effectiveness of GCCRI instruments, it is crucial to promote early adoption. However, individuals may be inclined to delay purchasing such policies because they perceive

their own risk of climate change impacts as being distant. Further, less developed countries and low-income economies have low insurance consumption in general, making it difficult to build a culture of paying for insurance, especially among the most vulnerable populations.


Awareness campaigns must be organised to inform and educate individuals about the importance and urgency of purchasing relocation insurance policies to ensure early and wide adoption. Subsidies and incentives provided by governments and multilateral agencies will also encourage uptake.



Bottomline

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Being the first proactive response to displacement and giving individuals a tool to rise above being helpless climate refugees, GCCRI would fill a significant gap in the current array of proposed solutions to address the various effects of climate change. By promoting and establishing a GCCRI mechanism, the G20 can demonstrate its commitment to addressing the challenges posed by climate change and its disproportionate impacts on vulnerable populations.

The G20 countries, particularly India, are at risk of large waves of uncontrollable migration across international borders due to the potential impact of climate change

on their neighbouring countries. A globally ratified GCCRI framework will avert this potential threat to national and economic security.

The displacement of significant numbers of people as a result of disasters and conflicts is often chaotic, disorganised, and overwhelming. The GCCRI framework would provide a legitimate and secure method of rehabilitating large numbers of people globally in the event of a climate-related disaster and would enable better-planned and more manageable migration channels. Receiving countries would be able to better balance humanitarian concerns with the welfare of their citizens.



Recommendations to the G20


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ased on the foregoing analysis, this Policy Brief offers the following actionable recommendations to the G20:

1. Commitment towards international agreements: The G20 countries should reaffirm their commitment to international agreements, such as the Paris Agreement, and support the implementation of the GCCRI as a complementary measure to mitigate the risks of climate change-induced displacement.
2. GCCRI framework agreement: The G20 can initiate a framework agreement that provides for the following:
 - a. The structure of the relocation insurance under the GCCRI framework;
 - b. Obligations of member states to effect domestic legislations, including in relation to residence and work permits, creation of insurance products, the allocation of funding for relocation, and the protection of the rights of displaced persons covered under insurance;
 - c. Independent authority for verification of climate disasters that enables insured persons to make claims; and
 - d. Effective dispute resolution mechanisms between member states and individuals.
3. Investment in research and development: The G20 countries should invest in research and development to improve the accuracy of climate models and better understand the risks of climate-induced displacement. This could include funding for research institutions and the development of partnerships with private sector companies.

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4. Support for vulnerable countries: The G20 countries should provide financial and technical support to vulnerable countries to enable them to participate in a GCCRI system. This could include assistance in the creation of insurance products, capacity building for government agencies, and the provision of technical expertise to support relocation efforts.

 5. Awareness-raising and capacity building: The G20 countries should work together to raise awareness of the risks of climate-induced displacement and build capacity among government agencies, NGOs, and affected communities to ensure that GCCRI is effectively implemented. This could include the development of educational campaigns, training programs, and information-sharing platforms.

 6. Collaboration and coordination: The G20 countries should collaborate and coordinate their efforts to ensure that GCCRI is implemented effectively and efficiently. This could include the development of a framework for cooperation, the creation of a central clearinghouse for sharing information, and the establishment of regular consultations among G20 countries to discuss best practices and emerging issues related to climate change-induced displacement.

Endnotes

- ¹ UNHCR, “Displaced On the Frontlines of the Climate Emergency,” <https://storymaps.arcgis.com/stories/065d18218b654c798ae9f360a626d903>.
- ² United Nations, “Task Force on Displacement,” <https://unfccc.int/process/bodies/constituted-bodies/WIMExCom/TFD#Establishment-of-the-Task-Force-on-Displacement->.
- ³ United Nations, “Global Compact for Migration,” <https://refugeesmigrants.un.org/migration-compact>.
- ⁴ Alex Randall, “New Zealand Proposes Humanitarian Visa for ‘Climate Refugees’,” *The Diplomat*, November 30, 2017, <https://thediplomat.com/2017/11/new-zealand-proposes-humanitarian-visa-for-climate-refugees/>.
- ⁵ Pavan Srinath et al., “Takshashila Policy Brief - A Global Climate Change Relocation Insurance Framework,” The Takshashila Institution, <https://static1.squarespace.com/static/618a55c4cb03246776b68559/t/62b9e5017e9ebb439fabee39/1656349954379/TPB-PS-PK-Climate-Change-Insurance-2015.pdf>.



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