



COTTON 2040 MASTERCLASS 5 SUMMARY

Insurance



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This document presents a summary of the recent masterclass “Insurance”. The masterclass, the fifth in a series of six co-hosted by [WTW](#) and [Forum for the Future](#) in October 2022, provided practical guidance on how brands and retailers can use insurance as a tool for risk management across value chains.

Part one of the class set the context about how insurance could be a useful tool in helping to manage climate risks. Insurance can be used as a way to increase resilience to climate shocks, supporting the planning for and response to climate-related shocks and stresses. Building resilience at every link in the supply chain, from farmers and producers to brands and retailers, is imperative to improving long-term resilience to climate shocks.

The masterclass subsequently showed how insurance can be used to manage climate risk and provide social benefits at different points of the supply chain. Women are disproportionately affected by disasters and are less resilient when it comes to preparing for and recovering from them. **Innovative insurance solutions such as microinsurance products for small farm holders at the producer level can be used to reduce climate-related risk and improve gender equity.** The [R4 Rural Resilience Initiative](#) was highlighted as a successful collaboration between the World Food Programme and Oxfam to provide parametric insurance for drought and other weather-related hazards in Ethiopia, Malawi, Senegal and Zambia.

At the company level, business interruption insurance for operations and logistics can help to manage the risk of damage or disruption to critical infrastructure. Cross-industry collaboration was highlighted as a critical way to develop a future cotton industry that is resilient to the potentially damaging impacts of climate-related hazards in locations where insurance penetration is low.



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Key Takeaways

- Climate-related hazards such as drought will impact cotton producers through reduced cotton production, associated loss of income, and threaten livelihoods.
- Insurance can de-risk the cotton supply chain and deliver social benefits. At the producer level, parametric insurance is a cost-effective form of protection against climate-related hazards, and provides immediate income support to producers. Creating an insurance programme that targets women involved in cotton farming can help build resilience.

“Increasing supply chain resilience to climate shocks will be critical for future success of the apparel and textile industry: robust risk management techniques (including insurance) have a key role to play.”

- Lydia Brown, Disaster Risk Finance
Associate at WTW