

Climate change: From words to action

Real steps must now be taken to protect society

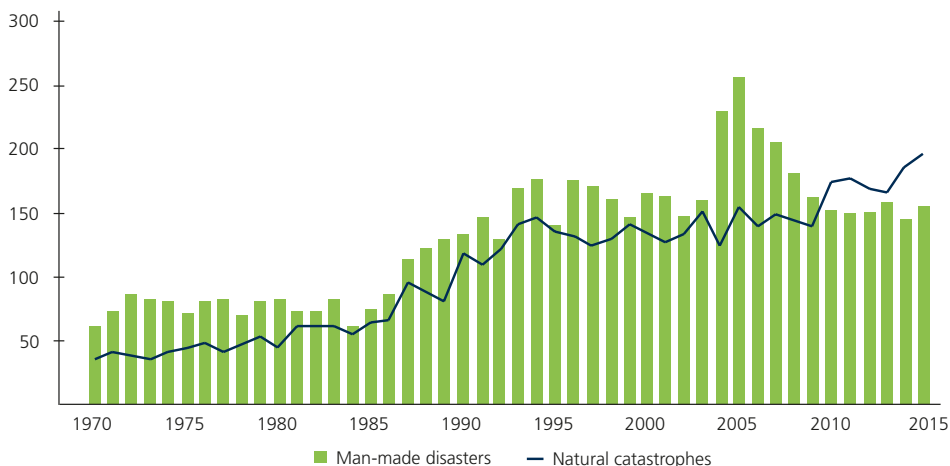
Identified as an emerging risk by leading insurers and reinsurers over 20 years ago, climate change is now recognised as an issue of global importance.

Indeed, the Intergovernmental Panel on Climate Change has reported that the effects of climate change can now be observed across all continents and oceans.

The continued rise in average global temperatures is expected to lead to more frequent and severe natural catastrophes around the world.

Measures must now be taken to help minimise future climate-change related losses, and to ensure affordable and sustainable insurance cover in the years to come.

Number of catastrophic events, 1970–2015



Source: Swiss Re Economic Research & Consulting and Cat Perils (Swiss Re Sigma No. 1/2016)

Why insurers care about climate change

As underwriters of natural catastrophe risks, the insurance sector is especially aware of and sensitive to the risks posed by climate change.

In particular, the sector is concerned that continuing global increases in temperature could make it increasingly difficult to offer the affordable financial protection that people deserve and modern society requires to function properly.

Driving the discussion: target two degrees

Consequently, in the run-up to the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris in December 2015, Insurance Europe ran a campaign that called on policymakers, industry leaders and the public to pledge their support for world leaders to agree to take action to limit the effects of climate change to below 2°C above pre-industrial temperatures.

The Paris agreement, which was adopted by 195 countries, is a step in the right direction. The EU has now officially ratified the agreement, so the landmark deal legally enters into force in the EU on 4 November 2016.

Insurance Europe is calling on policymakers to make sure that this agreement is fully implemented and that concrete steps are taken to limit climate change.

This being said, even if measures are taken to limit climate change, action must also begin — as a matter of urgency — to adapt to an already changing climate.

How insurers engage in climate change efforts

The insurance sector is involved in the fight against climate change in several ways.

First and foremost, given their long-standing experience in providing protection against natural catastrophes, insurers are well-placed to provide advice to public authorities on climate change adaptation projects, such as the building and maintenance of flood defences or the drafting and enforcement of building codes.

Insurers are also updating their risk assessment and underwriting policies. For instance, some have moved from using historical risk assessment methods for natural catastrophes to forward-looking risk models. These predictive methods take into account long-term changes in climate and factor in the shift in the range of natural catastrophes. This, in turn, can assist insurers to develop tailor-made products for consumers with different risk profiles.

Individual insurers are also implementing more sustainable business practices. For example, some aim to reduce their emission of greenhouse gases, while others incorporate

incentives into their products to encourage policyholders to reduce their own carbon footprints. Other insurers aim to invest more in environmentally friendly financial assets, such as green infrastructure or renewable energies.

Public authority action now

Yet it is public authorities that must take the leading role in enhancing public resilience to the effects of climate change, mainly through effective prevention planning.

This can be achieved in a variety of ways at national or local level. Examples include the strict enforcement of building codes to ensure that new buildings are not on flood plains, and tax incentives to promote private investment in climate-proofing infrastructure projects.

Public authorities' efforts should be part of long-term adaptation strategies that take account of long-term climatic situations posed by the expected rise in extreme weather conditions and the increasing frequency of weather events.

Such strategies need to target the specific natural catastrophe risk exposures of their jurisdictions.

Insurance Europe welcomes the European Commission's efforts through its 2013 EU Adaptation Strategy, on which several member states have based their approaches.

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Target two degrees

As part of its target two degrees campaign, Insurance Europe developed an interactive online tool.

This tool outlined various initiatives by European insurers that addressed climate change, that users can search through an interactive online map.

That tool has now been updated with more examples of insurer initiatives and can be accessed here: www.insuranceeurope.eu/climate-change.

