

INSURANCE INDUSTRY TAKING ACTION IN ADDRESSING CLIMATE CHANGE, ALTHOUGH EXTERNAL HURDLES REMAIN

ZURICH, 22 January 2018 – The insurance industry is contributing significantly to building socio-economic resilience to climate change and supporting the transition to a low-carbon economy in their role as risk management experts and investors, although a number of challenges are hindering the industry's efforts to scale up its contribution, according to a new research report from The Geneva Association, the leading international think tank of the insurance industry.

The report '*Climate Change and the Insurance Industry: Taking Action as Risk Managers and Investors*' is based on interviews with 62 C-level executives of globally active insurance and reinsurance companies, and offers insights into the role of the insurance industry in addressing climate change adaptation and mitigation.

Anna Maria D'Hulster, Secretary General of The Geneva Association, commented: "The study has confirmed that climate change is a topic that has made its way up to the boardrooms of the insurance industry, although insurers are neither the polluters nor the policy setters. Study participants reported initiatives in three aspects of the business: firstly, the liability side, where the industry already offers specialised risk transfer solutions that address the financial consequences of climate change; secondly, the investment side, where insurers increasingly integrate climate change considerations into their investment strategies; and thirdly, the operational side, where companies are reducing their carbon footprint."

However, external hurdles hinder the expansion of the insurance industry's contributions to climate change adaptation and mitigation. For example, the expansion of effective risk transfer solutions is currently impeded by limited access to risk information and lack of incentive to take up insurance due to post-disaster government aid. Additionally, the scaling-up of green investments is inhibited by factors such as a limited capacity of relevant markets to accommodate large-scale portfolio allocations, a need for well-defined asset classifications, and fragmented climate policy and regulatory frameworks.

Furthermore, executives interviewed indicated that climate resilient and decarbonised critical infrastructure represents an opportunity that poses specific challenges for the insurance industry. Insurance companies require risk data to assess such infrastructure projects throughout their lifecycle—from design and construction to operation and maintenance. Additionally they require a stable regulatory and political framework, a robust pipeline of opportunities, and an efficient market.

Dr. Maryam Golnaraghi, Director of The Geneva Association's Extreme Events and Climate Risk research programme, commented: "Failure to address climate change has been identified as one of the highest potential socioeconomic risks to our society. Building resilience to climate change requires proactive risk management and adaptation strategies, and transitioning to a low-carbon economy needs to align governments and the private sector. The insurance industry plays a crucial role in building resilience and fostering economic and entrepreneurial pathways that address climate change."

The Geneva Association is putting forward three recommendations to accelerate the contributions of the insurance industry to address climate change:

Recommendation 1: Third party stakeholders such as governments, policymakers, standard setting bodies and regulators across sectors work in a more coordinated fashion to address key barriers that hinder insurers from scaling up their contribution to climate adaptation and mitigation.

Recommendation 2: The insurance industry should continue to institutionalise climate change as a core business issue, expand its contributions towards building financial resilience to climate risks and support the transition to a low-carbon economy by collaborating with governments and other key stakeholders.

Recommendation 3: Governments and the insurance industry should explore ways to support climate resilient and decarbonised critical infrastructure through the industry's risk management, underwriting and investment functions.

The core of the report is based on interviews with Chief Executive Officers, Chief Risk Officers, Chief Investment Officers and Chief Underwriting Officers from 21 globally active insurance and reinsurance companies, with total assets under management exceeding USD 4.7 trillion and a total premium volume in excess of USD 550 billion in 2016.

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About The Geneva Association

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. It is a unique platform for dialogue between leaders of the insurance industry and key decision-makers at the international and national levels to evidence the important social and economic role of the insurance industry.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator.

The Geneva Association membership comprises a statutory maximum of 90 chief executive officers (CEOs) from the world's top insurance and reinsurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations.

Established in 1973, The Geneva Association, officially the International Association for the Study of Insurance Economics, is based in Zurich, Switzerland and is a non-profit organisation funded by its membership.

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