PRESS RELEASE

THE GENEVA ASSOCIATION

INSURANCE IS KEY TO MOBILISING LONG-TERM CAPITAL FOR CLIMATE RISK-RESILIENT INFRASTRUCTURE

ZURICH, 25 September 2018 – The insurance industry plays a key role in de-risking infrastructure and mobilising long-term private capital to climate risk-resilient projects, agreed a group of decision makers and international experts summoned in Toronto by The Geneva Association, the leading think tank of the insurance industry.

The Geneva Association's 2018 Extreme Events and Climate Risk Forum, co-hosted by Intact Financial and Sun Life —two of Canada's largest insurers— gathered on 19 September top officials from the UN, OECD, World Bank, institutional investors and representatives of the insurance industry. Speakers included Patricia Espinosa, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC); Joaquim Levy, CFO of the World Bank Group; Mami Mizutori, Assistant Secretary-General and Special Representative of the UN Secretary-General for Disaster Risk Reduction (UNISDR); Masamichi Kono, OECD Deputy Secretary General; senior executives of insurance companies and asset management firms; as well as the G7 environment ministers, who joined via videoconference from Halifax, Canada.

Anna Maria D'Hulster, Secretary General of The Geneva Association, said: "Investing in infrastructure could offer insurers a good match with long-term liabilities and enhanced portfolio diversification. However, at a global scale there is limited clarity regarding public policy, funding instruments and valuation methodologies, amongst other factors, that discourage institutional investors to commit to scaling-up their capital allocation to infrastructure projects."

Maryam Golnaraghi, Director Extreme Events and Climate Risk at The Geneva Association, commented: "In many countries almost no consideration has been given to assessing physical climate risk on critical infrastructure projects and incorporating this risk across the projects' life cycle. Institutional investors require a stable regulatory framework, a pipeline of investment-grade projects, and an efficient market. Life insurers, in their capacity as long-term asset managers, and non-life insurers, with their risk assessment, pricing, and risk transfer expertise, are well positioned to contribute to addressing these challenges."

Forum participants stressed the importance of public policy and regulation at all levels of the government to make climate resilience a pre-requisite for infrastructure projects' life cycle. Governments play a critical role in implementing risk reduction measures such as land-zoning to avoid building in high-risk zones, upgrading and enforcing building standards, and recovering and maintaining natural infrastructure such as wetlands. Emerging technologies are leading to 'smart green' infrastructure systems with changing risk profiles which must be assessed and allocated between governments and the private sector. In addition, institutional investors should engage with non-life insurers to reduce the risks associated with the projects, thus improving risk-adjusted returns and making infrastructure investments more attractive, forum participants concluded.

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