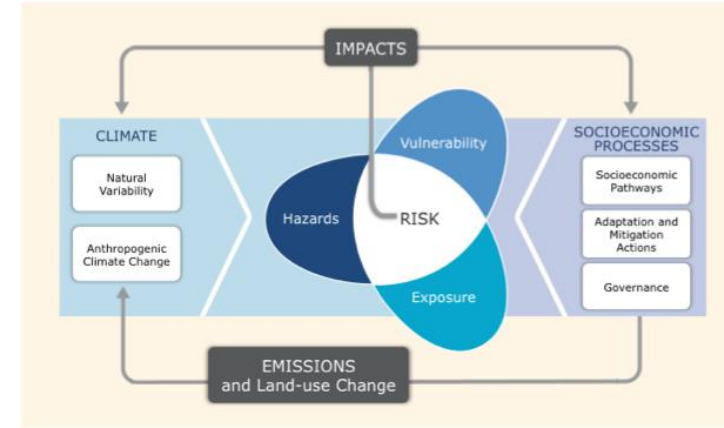
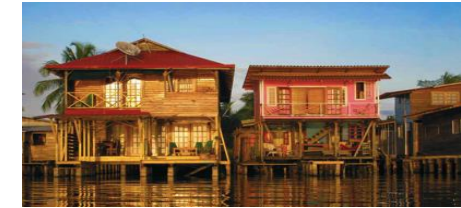


Insurance and the journey towards a green and climate resilient economy

**Swenja Surminski, Head of Adaptation Research
Grantham Research Institute, LSE
October 2021**

Unless you see this as an 'Act of God'...

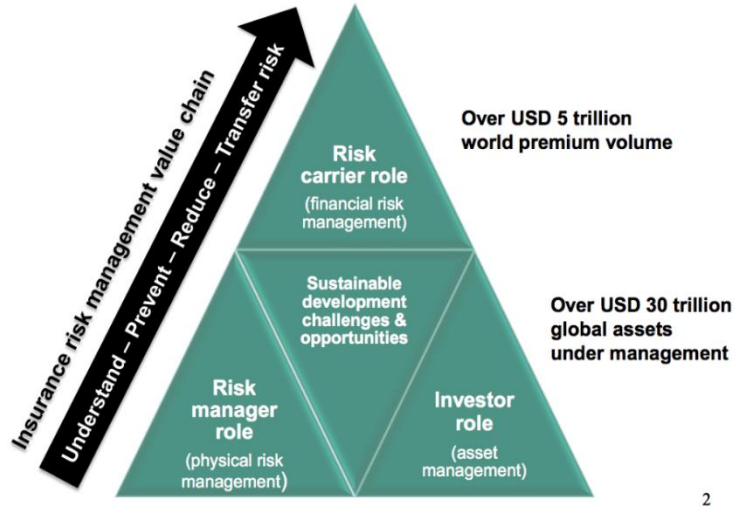
Risk = exposure + vulnerability + hazard



IPCC, WG II



What does this mean for society's risk manager?



2

UNEP – Principles of Sustainable Insurance

Sustainability is a strategic issue, with material implications for insurers, their customers and investors.

It can impact assets, liabilities and advisory services to clients through:

1. Physical risks
2. Transition risks
3. Liability risks

Growing regulatory pressure, disclosure requirements, demands from customers, investor scrutiny, requests from employees

From awareness raising to lobbying to sustainability as a business model?



—> *Principles for Sustainable Insurance Become New Insurance Industry Assessment Criterion of the Dow Jones Sustainability Indices.*

Climate Change actions trends in the insurance industry

Swiss Re announced that by 2023 it would stop providing insurance to and investing in the world's 10% most carbon-intensive oil and gas producers

Move Away from Oil & Gas



Move Away from Coal

The top 10 European P&C insurers have ceased or restricted insurance coverage of coal-related assets



UNEP FI Principles for Sustainable Insurance

The top 10 European P&C insurers have ceased or restricted insurance coverage of coal-related assets



Insurers, climate research orgs, and the World Bank launched this initiative to create a balance between GHG emitters and developing countries that are most vulnerable to climate change

Munich Climate Insurance Initiative



UN Net-Zero Asset Owners Alliance

Insurance corporations constitute 12 of the 26 members of this coalition of investors with \$4.6T AUM, committed to making their portfolios carbon neutral by 2050



Timeline

Over the past ten years, momentum has built towards a shift in the financial services industry to identify and incorporate climate change risks and impacts.

2007

The ClimateWise Principles launched to help insurance companies integrate climate change across their business activities

September 2016

ClimateWise Insurance Advisory Council conceived

December 2017

Over 200 organisations publicly committed to support the TCFD

October 2018

Bank of England's Prudential Regulatory Authority (PRA) published their consultation on supervisory expectations in the banking and insurance sector

2013

The ClimateWise Principles updated given significant member progress

June 2017

TCFD Recommendations launched

September 2018

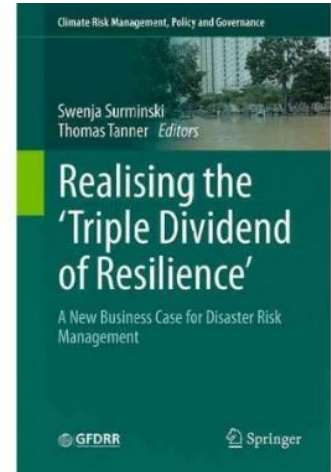
Task Force Status Report Published. Over 500 organisations publicly committed to support TCFD

December 2018

New TCFD aligned ClimateWise Principles published for 2019

The bigger picture: The business case for climate resilience

- Avoided losses (1st Dividend of Resilience): reduced or avoided costs
- Growth dividend (2nd Dividend of Resilience): innovation, entrepreneurship, and investments
- Wider co-benefits (3rd Dividend of Resilience): economic, social and **environmental** aspects



THE TRIPLE DIVIDEND OF RESILIENCE

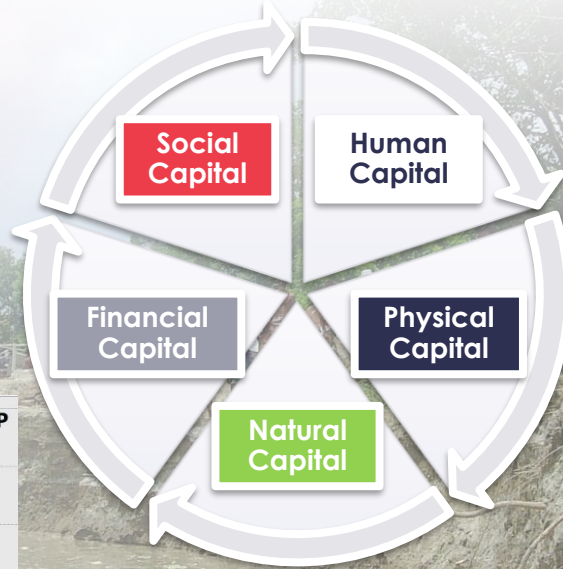
Realising development goals through the multiple benefits of disaster risk management

THOMAS TANNER, SWENJA SURMINSKI, EMELY WILKINSON, ROBERT REID, JUAN REINTSCHLER, SUMATI RAJPUT



Flood Resilience Alliance

Drivers of resilience:



In partnership with:



InsuResilience Sectoral Community on Nature-based Solutions (NbS) and Risk Financing



InsuResilience
GlobalPartnership

The logo for ORRAA (Ocean Risk and Resilience Action Alliance) features a stylized circular emblem with red, white, and blue segments, followed by the text "ORRAA" in large blue letters and "Ocean Risk and Resilience Action Alliance" in smaller black text below it.

ORRAA
Ocean Risk and
Resilience Action Alliance

**BUILDING RESILIENCE
TO OCEAN RISK THROUGH
INNOVATIVE FINANCE SOLUTIONS**

The AXA logo, consisting of the letters "AXA" in a stylized, blue, sans-serif font with a red diagonal line through the "A".

AXA

The Ocean Unite logo, featuring a stylized blue "O" shape with the words "OCEAN UNITE" in blue text to its right.

**OCEAN
UNITE**

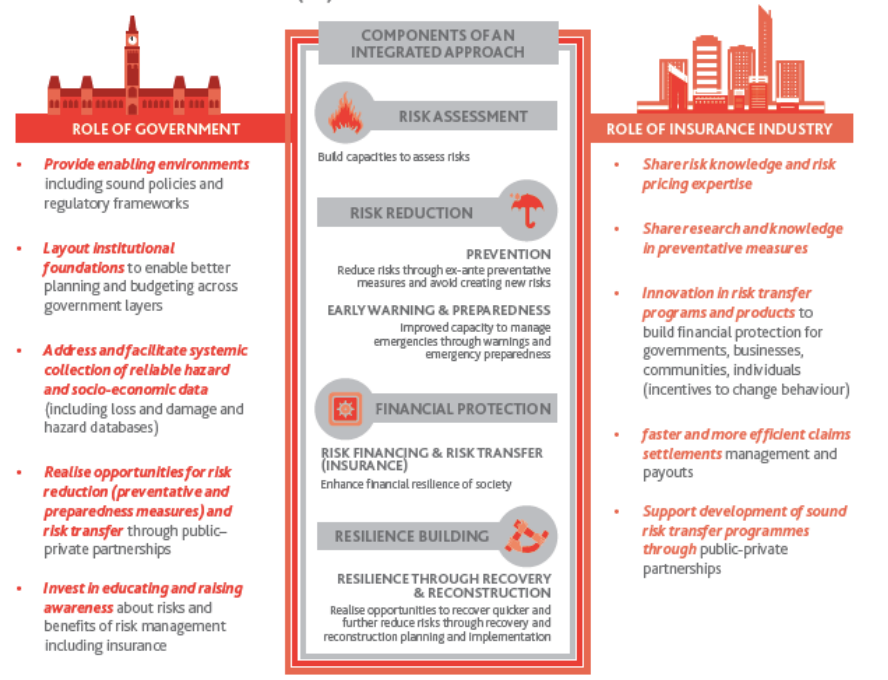
The Global Resilience Partnership logo, which is a circular emblem with green and blue segments, followed by the text "GLOBAL RESILIENCE PARTNERSHIP" in green capital letters.

**GLOBAL
RESILIENCE
PARTNERSHIP**

And what about government support?

- Will Covid-stimulus help to increase climate resilience or create new risks?
- Building back better as the new mantra – what does this mean in reality? Internationally we see evidence of cuts to adaptation/resilience finance post COVID.
- Opportunity for natural capital investments: Evidence shows that nature-based stimulus investment scenario outperforms a business-as-usual stimulus investment scenario globally (Food and Land Use Coalition & Vivid Economics, forthcoming)

MANAGING RISKS OF EXTREME EVENTS AND CLIMATE: ROLE OF GOVERNMENTS AND (RE)INSURANCE SECTOR



The role of insurance - important strategic questions for the next phase of the sustainable insurance journey:

1. **Closing the protection and resilience gap:** How can the industry build trust, capacity and long-term solutions where no markets currently exist or where rising risks threaten the availability of insurance?
2. **'Building back better':** Why are not all insurance repairs conducted with a low-carbon and climate-resilient future in mind?
3. **Investing in sustainable assets:** How can the industry address the disconnect between risk know-how on the underwriting side and investment decisions on the asset side? How can insurers play a market-shaping role in terms of driving demand for green and sustainable assets, not least for sovereign bonds, often the largest asset class?
4. **Make resilience an investable proposition:** Why are we not able to attach monetary returns to investments in resilience?
5. **Engaging with clients and customers:** How could insurers set out requirements for their clients to demonstrate sustainable behaviour? How can insurers use risk signalling to inform other sectors and governments about the urgency of changing to more sustainable practices and policies?



THANK YOU!
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