

# NEWS RELEASE

22 October 2009

## **Insurers call for 40% emission cuts by 2020 to control the risks arising from climate change**

ClimateWise, a global collaboration of leading insurers focused on reducing the risks of climate change, today called on developed countries to agree to a 40% cut in emissions by 2020 at the UN climate change negotiations in Copenhagen in December. ClimateWise also called on major developing countries to agree to substantial reductions relative to business as usual.

The insurers argue that these steps are crucial to limit the risk of exceeding a 2°C temperature rise, noting that the climate crisis poses a systemic risk to the global economy.

ClimateWise also called for the forthcoming Copenhagen negotiations to reach agreement on the size and structure of the financing package to help the developing world tackle climate change, as well as on all countries to implement plans to systematically reduce the climate risks they face.

Andrew Torrance, Chairman of ClimateWise and CEO of Allianz Insurance, launched the statement at a UN summit of leading finance and sustainability

experts in Cape Town, alongside ClimateWise members Swiss Re, the global re-insurer, and Santam, the leading Southern African short-term insurer.

The ClimateWise group believes a low climate risk world depends on an ambitious, robust and equitable global deal that responds credibly to the scale and urgency of the crisis facing humanity today. With their extensive risk management expertise and ability to help customers pool the risks they face, insurers are very well placed to support efforts to manage the risks of climate change.

Speaking in Cape Town, Andrew Torrance said, “Climate change must be tackled now if insurers are to continue to play their fullest role in managing climate risk. If governments fail to act today, substantial markets may become uninsurable tomorrow. A new international deal is ultimately in all of our interests and the costs of transition to a low climate risk economy are manageable. Delay is not an option.”

Explaining the importance of developed countries agreeing to cut their emissions by 40% by 2020 (on a 1990 baseline) and an 85% global target by 2050 (on a 2000 baseline), Andrew Torrance added, “In July of this year, the G8 countries agreed that we must limit global average temperature rise to 2°C above pre-industrial levels to avoid unacceptably dangerous climate change. Intergovernmental Panel on Climate Change science tells us the only way to

minimise the risk of exceeding a 2°C rise is for developed countries to cut emissions by 40% by 2020 and for global emissions to be cut by 85% by 2050.”

HRH The Prince of Wales, who launched the ClimateWise initiative in 2007, has long been of the view that the insurance sector has a vital role to play in tackling climate change. His Royal Highness explained this view, saying of the industry, “The importance of your role as society’s trusted managers of risk cannot be understated”.

### **Notes to editors**

1. Andrew Torrance launched this statement to leading finance and sustainability experts at the UNEP Finance Initiative Global Roundtable in Cape Town.
2. The ClimateWise initiative is a global collaboration of leading insurers focused on reducing the risks of climate change.
3. Since the initiative was conceived the number of members has grown from 16 to 40, over a quarter of which were listed in the Fortune Global 500 for 2009, and the membership now covers Europe, North America and Africa. Full details are available at [www.climatewise.org.uk](http://www.climatewise.org.uk)
4. The University of Cambridge Programme for Sustainability Leadership (CPSL) facilitates ClimateWise. CPSL works with business, government and civil society to build the capacity of leaders to meet both the needs of society and address critical global challenges. Visit [www.cpsl.cam.ac.uk](http://www.cpsl.cam.ac.uk) for more details.
5. HRH The Prince of Wales is the Patron of CPSL and launched the ClimateWise initiative in September 2007.
6. Knowing that insurance is vital in managing risks faced by governments, economies and societies around the world, all ClimateWise members have voluntarily committed to a holistic set of actions on climate change, covering risk analysis, public policy, customer awareness, investment strategies, operations and reporting.
7. **For further information, or to speak to members of ClimateWise, contact the ClimateWise Secretary, Andrew Voysey:**

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## **ClimateWise statement on the UNFCCC Copenhagen negotiations**

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This statement is being issued by ClimateWise - a global collaboration of leading insurers focused on reducing the risks of climate change. Insurance is a vital tool in managing the risks faced by governments, economies and societies around the world, including the threats posed by climate change. As ClimateWise members, we have all committed to action on climate risk analysis, public policy, customer awareness, investment strategies and operational impact and to publicly reporting on our progress every year.

The climate crisis poses a systemic risk to the global economy. We believe a low climate risk world depends on an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crisis facing the world today.

Insurers are very well placed to fulfil two key roles in support of efforts to manage the risks of climate change. First, the provision of **risk management expertise** – for instance through geographical region and economic sector risk modelling or advising on the efficacy of risk reduction measures – to help governments understand, respond to and manage the impacts of climate change. Second, the provision of **risk transfer mechanisms**, which, on a commercial basis, can help individuals, businesses and governments pool the risks that they face and transfer their own risk to that pool.

The ready engagement of insurers, and the provision of insurance products, will be vital for the success and growth of carbon markets, renewable and low carbon technologies, and new financial services to ensure the longevity of rainforests. These solutions draw directly on insurers' core expertise.

Climate change must be tackled now if insurers are to continue to play a role in managing this risk; as climate related events become more frequent and more severe, they become more challenging to insure. If governments fail to act today, substantial markets may become uninsurable tomorrow. It is in all our interests that insurance remains affordable and available, so that businesses and communities can recover quickly from the unavoidable impacts of a changing climate.

The necessary response to this systemic risk must be a credible global deal that delivers transformational change in the global economy. In particular, the deal at Copenhagen must include:

- 1. A global emissions reduction pathway** to limit the global average temperature rise to less than 2°C in line with the G8 goal announced in July 2009. Guided by science, we urge governments to adopt emission targets to limit the risk of exceeding this temperature rise. This means:
  - a 40% emission reduction by 2020 over 1990 levels for developed countries and a substantial reduction relative to business as usual for major developing countries.
  - an 85% global emission reduction by 2050 over 2000 levels.
- 2. An agreement on the scale and structure of financial flows** from the developed to the developing world to support both mitigation and adaptation efforts that are needed to manage risks.
- 3. Mandatory risk reduction plans for developed and developing countries**, the implementation of which would allow the insurance industry to play its fullest role, particularly in helping to manage the large-scale, regional impacts of climate change.

If decisions are to be based on the latest view of the risks that society face, then data is crucial for all stakeholders. To support the ability of commercial insurers to play their role in managing risk, governments need to create a suitable enabling environment. In all cases, reliable, detailed and comprehensive **risk exposure data** (including climate, socio-economic and other hazard information) is vital, with data resolution being even more important closer to assets most at risk. In terms of availability, data is most useful when based on definitions and formats that are compatible across national borders and when access is electronic and, crucially, free and open to the public.

Overall, it is important to keep options open and retain a broad regulatory definition of “insurance” to enable innovation in this field. New index based insurance schemes have been successfully implemented to provide liquidity to governments and micro insurance schemes are proving successful for individuals in some locations. In order to make the latter effective, the public sector’s involvement in **education and awareness raising** around the benefits of risk reduction measures is key.

In addition, the public sector’s support for infrastructure and technologies is vital to the development of new markets that contribute to reducing the risk of climate change. For example, given that existing building stock is only replaced very slowly, opportunities to **redevelop infrastructure in an emission efficient and climate resilient way** should be used whenever possible. However the necessary increase in premium to afford these steps means that insurers cannot mandate their uptake due to competitive pressures; nor can they act in unison because of competition law. Appropriate building regulations that apply to rebuilding and renovation, and which require climate change adaptation and the use of sustainable materials, will be important to level the playing field for insurers who can then drive adaptation into the process.

ClimateWise members stand ready to work with governments to implement a new international deal on climate change – a deal that is in all of our interests. For the business of insurance to be sustained over the widest economic sectors and geographical areas, the systemic risks posed by climate change need to be dramatically reduced, and with firm urgency.

ClimateWise members call on all governments to play their role in Copenhagen, particularly in reaching agreement on the above priorities. The costs of transition to a low climate risk economy are manageable. Delay is not an option.

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*This statement draws directly on recent collaborations between ClimateWise members and a number of other organisations, including: HRH The Prince of Wales’s Corporate Leaders Group on Climate Change; the Munich Climate Insurance Initiative; the UNEP Finance Initiative; The Prince’s Rainforests Project*

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