

ClimateWise statement on the UNFCCC Copenhagen negotiations

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.

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

For further information, or to speak to members of ClimateWise, contact the ClimateWise Secretary, Andrew Voysey:

T: +44 207 216 7530

M: +44 7595 106458

E: andrew.voysey@cpsl.cam.ac.uk

W: www.climatewise.org.uk